TNFD technical input on the simplification of the ESRS as part of the CSRD Omnibus package

Response to EFRAG public consultation on ESRS exposure drafts

19 September 2025

Introduction

The Taskforce on Nature-related Financial Disclosures (TNFD) values its collaborative working relationship with EFRAG since the formation of the Taskforce in late 2021 and welcomes this opportunity to provide further input into the nature-related aspects of the review of the European Sustainability Reporting Standards (ESRS) now underway.

On 10 July 2025 the TNFD co-chairs sent a letter to EFRAG offering a specific proposal for consideration by EFRAG with respect to the nature-related topical ESRS (E2-E5). Based on EFRAG's release of revised Exposure Drafts on 31 July 2025, this document expands on that letter as a technical note submitted by the TNFD Secretariat as part of the formal consultation process. The TNFD Secretariat will also provide a formal response to the consultation questions in the EFRAG online survey by the consultation deadline.

This note represents the technical views of the TNFD Secretariat and does not necessarily reflect the views of individual member organisations of the Taskforce.

TNFD proposal: An integrated 'E2' nature standard

- *Relevant section(s) of EFRAG's public consultation survey: question 15) 'Improved understandability, clarity and accessibility of the Standards'; and/or question 14) 'Restructuring of the architecture and interaction between ESRS 2 and Topical Standards'*

The TNFD agrees with the proposition outlined in the EFRAG's progress report on ESRS revision as of 20 June 2025, that simplification can be achieved by **reducing some of the mandatory specifications ('shall datapoints')** in the topical standards.

The TNFD also welcomes the proposed **consolidation of cross-cutting requirements at the ESRS 2 level** where there are overlaps between the topical standards (ESRS E2-E5) and ESRS 2. In TNFD's view, this will help solve the source of complexity identified in the architecture of the ESRS as stated in EFRAG's published 'Basis for Conclusions of the draft amended ESRS' (paragraph 52).

In its 10 July letter, the TNFD proposed consideration of a further available dimension of simplification: the **consolidation of the existing ESRS E2-E5 environmental standards into one integrated 'E2' nature standard**. In the TNFD's view, this would align with the need and urgency for a holistic, science-based and practical approach to nature-related corporate reporting and contribute to the overall objective of simplification while retaining appropriate coverage of all of the overriding objectives of the EU Green Deal.

The TNFD's proposed consolidation of topical nature-related standards (E2-E5) can further help strengthen the position of ESRS 2 as the pivotal cross-cutting standard sitting above topical environmental, social and governance standards together with ESRS 1, encouraging as much alignment as possible between ESRS 2 – and, where relevant, ESRS 1 – and IFRS S1 as the comparable global baseline standard for foundational requirements. The Taskforce's proposal to consolidate the ESRS E2-E5 standards into one integrated nature-related standard drawing on the approach and recommendations of the TNFD would ensure the ESRS are grounded in scientific foundations, offer practical implementation benefits and closer alignment with emerging international reporting standards.[1]

- Drawing on the conceptual foundations of the TNFD recommendations for a newly established nature-related standard would be consistent with the approach taken for ESRS E1, which incorporates and builds on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for climate-related disclosures.
- The current E2-E5 standards are a combination of environmental assets (e.g. freshwater and marine resources, ecosystems), drivers of nature change (e.g. pollution, resource use), thematic issues (e.g. biodiversity) and response strategies (e.g. circular economy). An integrated nature standard following the conceptual approach established by the TNFD would provide a more coherent, conceptually consistent and science-based approach, organised around the 'five drivers of nature change' set out by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), excluding climate change already covered by ESRS E1.
- The consolidation into one nature standard would be in line with EFRAG's key mandate of reducing the reporting burden for undertakings given the simplified structure and presentation of the ESRS which would come with this proposal. This includes a reduction in the number, fragmentation and complexity of the disclosure requirements. Importantly, this simplification would not come at the expense of any alignment with regulatory mandates EFRAG needs to adhere to, given that it would still take into consideration impacts and dependencies on climate, air, land, water and biodiversity, in line with the six environmental objectives of Regulation (EU) 2020/852.
- The proposed approach would ensure full alignment of the ESRS to the intent of Target 15 of the Kunming-Montreal Global Biodiversity Framework (GBF).
- The integrated approach proposed by the Taskforce has already proven to be practical to implement. Over 600 organisations globally have voluntarily committed to reporting against the TNFD recommendations while nature-related standards continue to be developed by the International Sustainability Standards Board (ISSB), EFRAG and others.[2] 118 of these organisations are in EU jurisdictions and a large proportion of other TNFD adopters outside of Europe fall under CSRD regulations.
- Finally, investors support a mandatory specific nature standard aligned to TNFD's integrated approach. In a June 2025 survey of 100 asset owners and asset managers by Responsible Investor magazine, 76% of investment community respondents said they would benefit from mandatory nature-related disclosures,

[1] Additional background on the TNFD approach and its conceptual foundation is provided later in this note (see 'Annex 1: the role of the TNFD in the current nature-related corporate reporting landscape').

[2] Following the release of the TNFD recommendations in September 2023, 600 organisations globally, representing over Euro 13 trillion in Assets under Management (AUM), have now voluntarily committed to making nature-related disclosures aligned to the TNFD recommendations. Over 110 of these TNFD adopters are headquartered in EU jurisdictions and a large proportion of other TNFD adopters outside of Europe fall under CSRD. More than 100 first generation TNFD-aligned disclosure reports have been published in the past 18 months, including many in Europe that have used TNFD guidance to help meet their CSRD requirements.

77% called for the ISSB to develop a dedicated nature standard and 91% called for that standard to be based on the TNFD.[3]

Four complementary proposed changes underpinning the TNFD proposal for an integrated 'E2' nature standard

The TNFD put forward three additional but complementary changes which would ensure that a consolidated nature standard does not in any way diminish decision-useful reporting of material nature-related issues. Following its review of the latest ESRS exposure drafts, the TNFD proposes a fourth suggested change, focused on the treatment of anticipated financial effects, given its importance for consistency with global baseline standards and decision-useful reporting.

In summary, the four complementary proposed changes are:

1. Provision of structured materiality assessment guidance for nature-related issues, based on the TNFD LEAP approach.
    - *Relevant datapoints of ESRS exposure drafts: AR 17 for para. 48 (a), ESRS 1 Exposure Draft and AR 22 for para. 26, ESRS 2 Exposure Draft.*
    - *Relevant section(s) of EFRAG's public consultation survey: question 11) 'Clarifications and simplification of the Double Materiality Assessment (DMA) (ESRS 1 Chapter 3) and materiality of information as the basis for sustainability reporting' and part 3, for AR 22 for para. 26, ESRS 2 Exposure Draft.*
2. Elevated recognition of 'dependencies' on nature and explicit reference to the assessment and disclosure of 'DIROs', not only 'IROs'.
    - *Relevant datapoints of ESRS exposure drafts: paras. 40-41, ESRS 1 Exposure Draft; para. 26 (e), ESRS 2 Exposure Draft and para 1, ESRS E2-E5 Exposure Drafts.*
    - *Relevant section(s) of EFRAG's public consultation survey: question 11) 'Clarifications and simplification of the Double Materiality Assessment (DMA) (ESRS 1 Chapter 3) and materiality of information as the basis for sustainability reporting'.*
3. Incorporation of the TNFD's core disclosure metrics to help streamline the number of datapoints and aid global comparability across and within sectors.
    - *Relevant datapoints of ESRS exposure drafts: Disclosure Requirements E2-4 and E2-5, ESRS E2 Exposure Draft; Disclosure Requirement E3-4, ESRS E3 Exposure Draft; Disclosure Requirement E4-5, ESRS E4 Exposure Draft; Disclosure Requirements E5-4 and E5-5, ESRS E5 Exposure Draft.*
    - *Relevant section(s) of EFRAG's public consultation survey: question 16) 'Usefulness and status of "Non-Mandatory Illustrative Guidance" (NMIG)*

[3] See https://www.responsible-investor.com/ri-nature-and-investors-survey-2025-results/

and part 3, for ESRS E2-E5 (respectively DR E2-4 and E2-5, DR E3-4, DR E4-5 and DR E5-4 and E5-5).

4. Retention of a requirement for quantitative information about anticipated financial effects of material nature-related risks and opportunities.

   - *Relevant datapoints of ESRS exposure drafts: para. 23, ESRS 2 Exposure Draft.*

   - *Relevant section(s) of EFRAG's public consultation survey: question 19) 'Relief for anticipated financial effects'.*

1. Structured materiality assessment guidance about nature-related issues should be provided to market participants

The ESRS call on companies to determine 'material topics' as part of a double materiality assessment (para 20, Amended ESRS 1 Exposure Draft). Today, many undertakings rely on surveying their stakeholders and peers to assess issues that are material to their business and thus require disclosure (para 27, Amended ESRS 1 Exposure Draft). In the context of limited stakeholder awareness and technical understanding of nature-related dependencies, impacts, risks and opportunities (DIROs), it is the view of the TNFD based on our extensive market engagement that stakeholder input alone is likely to be insufficient to identify all material issues.

With respect to nature-related issues, macro analysis of economy-wide dependencies on nature conducted by central banks highlights that every economy is 100% dependent on nature and that most economies have 'moderate to high' levels of dependence on nature (between 40-60% of GDP). At a company level, analysis provided by ENCORE, an assessment tool widely used by early TNFD adopters to assess the likely materiality of their nature-related dependencies and impacts, highlights that every sector has critical dependencies and impacts on nature. Recent research released by the TNFD with Oxford University and Global Canopy in June 2025 provides 600 examples of financially material nature-related issues across sectors and business models.[4]

Despite this evidence base on materiality, the State of Play portal launched by EFRAG in July 2025 shows that only 38% of CSRD undertakings in the sample reported against ESRS E2 (i.e. assessed this topic to be material), 33% against ESRS E3, 29% against ESRS E4 and 65% against ESRS E5. This compares to 98% against ESRS E1.[5]

The most likely explanation for the dramatic difference in perceived materiality of climate issues and other nature-related issues beyond climate change is that undertakings have less familiarity and institutional capability to assess their potentially material nature-related issues. If organisations have a nascent level of understanding of their own nature-related issues, it is unlikely that understanding will be greater among stakeholders across their value chain. As the evidence from the first year of CSRD reporting suggests, reliance on stakeholder surveys to inform a Double Materiality Assessment (DMA) is therefore likely to result in nature-related issues beyond climate change (i.e. covered by the E2-E5 standards)

[4] See TNFD, University of Oxford Environmental Change Institute (as part of the Resilient Planet Finance Lab), Global Canopy (2025) Evidence review on the financial effects of nature-related risks

[5] EFRAG 2025 State of Play, July 2025

being screened-out early in the materiality assessment process and consequently result in inadequate disclosure to investors and other stakeholders.

The latest ESRS exposure drafts published by EFRAG introduce further flexibility in the way that undertakings may conduct their DMA. The exposure draft for ESRS 1 now formally introduces, in its Application Requirements (AR), the possibility for undertakings to start their DMA from the level of the topic, and only when it concludes on the necessity to report on a topic, it will then move to identify the related material impacts, risks and opportunities ('top-down' approach, AR 17 for para. 48(a), Amended ESRS 1 Exposure Draft). The TNFD believes a 'top-down' approach will likely introduce further risk of incomplete identification of material nature-related impacts, risks and opportunities, as companies may overlook interconnections when starting from predefined topics rather than assessing individual nature-related issues as part of their DMA.

The TNFD believes integrated, structured and step-wise ('how to') assessment guidance is necessary to ensure that nature-related issues are appropriately identified ('screened in' rather than 'screened out') and assessed consistently, and that disclosures accurately reflect the material DIROs arising from the organisation's interactions with nature (through its direct operations and value chain).

Early corporate reporting using both the ESRS and TNFD recommendations has confirmed significant demand among corporate reporters for this 'how to' materiality assessment guidance. Responding to market demand, the TNFD began developing its LEAP assessment approach in 2021 through an open innovation process of co-design and pilot testing involving hundreds of market participants and scientific and standards partners around the world. The LEAP approach provides a structured materiality assessment process for nature-related issues that incorporates both an impact materiality and financial materiality lens depending on the approach to materiality taken by the undertaking.[6] Since its release in September 2023, there has been significant uptake of the LEAP assessment guidance by financial institutions and companies, with over 58,000 downloads between September 2023 and July 2025. TNFD reporting is growing rapidly, typically based on a preceding LEAP assessment.[7]

For the above reasons, in its 10 July letter the TNFD suggested for consideration that **the ESRS could more prominently and explicitly encourage the use of the LEAP approach as a CSRD-aligned materiality assessment tool.** The TNFD acknowledges that a reference to the LEAP approach is retained in the proposed exposure drafts (AR 22 for para. 26, Amended ESRS 2 Exposure Draft) as 'a useful reference' for the disclosure requirement 'IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported'. Nevertheless, the TNFD notes the following aspects in the new text of the latest ESRS exposure drafts:

[6] See key findings from GRI, TNFD (2025) Identifying risks and opportunities to organizations arising from dependencies and impacts on nature, where all of the seven companies interviewed made use of the LEAP approach to disclose in accordance with double materiality; and TNFD, University of Oxford Environmental Change Institute (as part of the Resilient Planet Finance Lab), Global Canopy (2025) Evidence review on the financial effects of nature-related risks.

[7] The 2025 GRI-TNFD case studies on nature-related DIROs show how all of the seven companies interviewed use the LEAP approach for their nature-related DMA. Illustrative example TNFD reports are available at: https://tnfd.global/knowledge-hub/example-tnfd-reporting/

- As it is currently placed, the new paragraph that references the LEAP approach in the Amended ESRS 2 exposure Draft (AR 22) may be understood as connected exclusively to the screening of site locations, given that it comes after and in connection with a paragraph focused on that subject;
- The new paragraph removes any reference to the fact that the first three phases of the LEAP approach correspond to the actual materiality assessment process for the topical standard, as it was the case for the Set 1 datapoints of ESRS E2, E3 and E4. In this way, undertakings may think that the LEAP approach is a separate and somewhat 'additional' approach to the DMA, rather than being a suggested way in which this can be conducted (as it was explicitly stated in Set 1 AR 6, ESRS E4);
- The TNFD welcomes the 'elevation' of the LEAP reference from each individual topical standard at the level of ESRS 2, because it avoids duplication and reinforces the concept of an integrated nature-related materiality assessment process. However, the TNFD is concerned that the new paragraph in the Amended ESRS 2 Exposure Draft (AR 22) also removes any guidance on what each of the phases of LEAP entails. It also only keeps the 'headline' action (without clarifying, for the second and third phase, that this refers to the assessment of nature-related issues).

In response to the new draft text, the TNFD suggests adjusting the current text of AR 22 for para. 26 of Amended ESRS 2 Exposure Draft by switching the order of the paragraphs and retaining some of the additional specifications from the original Set 1 ARs on LEAP. The AR should begin with an explicit reference to the LEAP approach, framing it as corresponding to the materiality assessment for the nature-related topical standards. This introductory paragraph on LEAP can then be followed by the current text on the screening of site locations, which can serve as an example of additional guidance linked to the first phase of LEAP. The TNFD stands ready to work with EFRAG on the updated text for this AR.

A more explicit and detailed description of how undertakings can rely on the LEAP approach as a market-tested, credible methodology for a robust DMA – serving as an important supplement to other materiality assessment methods, such as stakeholder surveys – would significantly increase the likelihood that ESRS disclosures provide the quality, consistency, and comparability of nature-related disclosures across entities intended by the CSRD and required to support the policy goals of the EU Green Deal.

2. Recognition of 'dependencies' on nature and explicit reference to the assessment and disclosure of 'DIROs', not only 'IROs', should be incorporated into the revised ESRS

The notion of dependencies has not been part of the conceptual foundations for thinking about, and responding to, climate change issues but is, in the view of the TNFD, central with respect to all aspects of nature. Most businesses have critical dependencies on nature in their direct operations and through value chains. Dependencies and impacts on nature are interlinked (for example, a negative impact on nature today can reduce nature's capacity to deliver the future provision of ecosystem services that a company depends on) and an understanding of an organisation's dependencies on nature is foundational to its understanding of potentially material risks to its future financial prospects.

Under the text of the Set 1 Delegated Act, the disclosure of nature-related dependencies was only explicitly referenced among the topical standards in ESRS E4, while the consideration of dependencies as part of the materiality assessment process was included for all nature-related topical standards (E2-E5) (see for example Set 1 AR 3 and AR 4 (b), ESRS E2 and the more explicit Set 1 para. 17, ESRS E4). The disclosure of dependencies has been further weakened (to 'when relevant') in the proposed E2-E5 exposure drafts (para 1, ESRS E2-E5 Exposure Drafts), and the disclosure of the consideration of dependencies as part of the DMA is only required insofar as a disclosure of 'the approach used to consider (…) dependencies in identifying and assessing its risks and opportunities' (para. 26 (e), ESRS 2 Exposure Draft).

Despite this weakened reference to the disclosure of dependencies on nature, the exposure draft of ESRS 1 still recognises the relevance of dependencies on natural, human and social resources as originating material risks and opportunities (para. 40, ESRS 1 Exposure Draft), and states that the 'undertaking shall consider how it is affected by its dependencies, irrespective of its potential impacts on those resources' (para. 41, ESRS 1 Exposure Draft).

As highlighted in the TNFD Co-Chair's 10 July letter to the EFRAG Board, the limited scope of explicit dependency-related disclosures will limit the comprehensiveness of materiality assessments and the completeness of disclosure of material nature-related issues to investors and report users. Put simply, if an undertaking cannot demonstrate a strong understanding of its nature-related dependencies, it should call into question the robustness of its assessment of both potential risks to its future financial prospects and opportunities to mitigate its impacts on nature and have positive impacts on nature. From an investor perspective, the ability for an undertaking to demonstrate a comprehensive understanding of its nature-related dependencies also provides some confidence that the undertaking is managing for the resilience of the business in the face of accelerating nature loss.

Market experience with the application of the TNFD LEAP approach and early TNFD-aligned disclosures has demonstrated that identifying dependencies on nature has helped inform internal risk management and strategic planning. This is evidenced in findings from the GRI-TNFD case studies on nature-related DIROs and the Evidence review on the financial effects of nature-related risks, which highlight:

- the added value of explicitly assessing dependencies, a key source of financial effects through nature-related risks;
- that dependencies are currently often overlooked in standard impact assessments;
- that the LEAP approach reveals useful insights on dependencies, which were previously a blind spot for material risks; and
- that dependency-related information is considered decision-useful by investors and other users of sustainability disclosures.

To enhance the relevance and completeness of disclosures, the TNFD recommended in its letter that EFRAG consider **elevating the role of dependencies in the ESRS framework, by shifting from a sole focus on impact-, risk- and opportunity-related disclosures (IROs) toward inclusion of dependency-impact-risk-opportunity (DIRO) disclosures, aligning to the approach taken by the TNFD.**

In order to achieve this result, EFRAG could revise the relevant paragraphs of the nature-related exposure drafts by:

i Removing the specification 'when relevant' in paras. 1 of ESRS E2-E5 Exposure Drafts; and

ii Reinstate, either at the level of ESRS 2 or at the level of the individual nature-related topical standards, a similar text to the Set 1 ESRS E4 paragraphs (this one exclusively on biodiversity and ecosystems), such as the one asking for disclosure of 'the nature, type and extent of the undertaking's material (…) dependencies (…) related to biodiversity and ecosystems, and how the undertaking manages them'.

Finally, recognising dependencies more consistently across topical standards would ensure alignment with the intent of Target 15 of the GBF, which explicitly calls for disclosure of dependencies alongside risks and impacts.

3. Streamlining and prioritisation of quantitative nature-related data points could be achieved by using the TNFD's core disclosure metrics

The Taskforce agrees with the need to focus on 'core' information for disclosure (para 103, Basis for Conclusions, draft amended ESRS, July 2025) and that this can be a key means of delivering simplification to the ESRS.

Following its multi-year consultation with a wide range of scientific partners and market participants, the TNFD has adopted a leading indicators approach, with a tiered metrics architecture that incorporates different categories of disclosure metrics. These include:

- A small set of 14 'core global metrics' DIROs that apply to all sectors, accompanied by 'core sector metrics' for each sector – to be disclosed on a comply or explain basis; and
- A larger set of 'additional' metrics, which are recommended for disclosure, where relevant, to best represent an organisation's material nature-related issues, based on their specific circumstances.

In the recently released exposure drafts, EFRAG is suggesting the removal of most specifications on metrics related to biodiversity and ecosystems (Disclosure Requirement E4-5), which in the TNFD's view significantly reduces the already broad and flexible approach of the ESRS Set 1 and deviates from the good level of alignment achieved between the ESRS Set 1 and the TNFD core disclosure metrics, especially for those metrics related to land-use change, freshwater-use change and/or sea-use change and invasive alien species.

Specifically, the changes applied to Set 1 para. 38 of ESRS E4 may still result in some alignment with TNFD, as it requires metrics on impacts on biodiversity and ecosystems to be reported in general terms. However, it no longer specifies the terms land-use change, freshwater-use change and/or sea-use change, which means there is very limited alignment with TNFD core global disclosure metrics C1.0 and C1.1. In addition, the deletion of Set 1 AR 34 of ESRS E4 results in the removal of the term "total use of land", further reducing coverage of TNFD core global disclosure metric C1.0, and the deletion of Set 1 paras. 38(a) and 38(b) loses the coverage of conversion and ecosystem-use change over time, which no longer aligns with TNFD metric C1.1.

The deletions of Set 1 para. 39 of ESRS E4 and Set 1 para. 40(d) and 41(b)(i) remove any alignment with TNFD placeholder indicators C4.0 and C5.0. These are TNFD placeholder indicators that the TNFD encourages organisations to consider and report against where possible.

Rather than removing important specifications that would guide undertakings in the identification of relevant metrics, **EFRAG could instead consider simplification of datapoints for all the current E2-E5 standards by explicitly aligning the nature-related metrics listed in the individual topical standards E2-E5 under the section 'Metrics and targets' with the 14 'core global metrics' from the TNFD that apply to all sectors on a comply or explain basis**, and in particular the nine metrics that relate to impacts and dependencies on nature which are organised around the IPBES drivers of nature change (excluding climate change already covered by ESRS E1).

As highlighted in the 10 July letter, this proposal would be aligned with the consolidation of the ESRS environmental standards E2-E5 into an integrated nature standard, as proposed for consideration by the TNFD.

Building on this small set of cross-sector metrics, the ESRS could also include a reference to the sector-specific metrics recommended by the TNFD, which now cover over 50% of the SICS® industries, focused on those with the highest impacts and dependencies on nature, and which the ISSB are building on to update the SASB Standards, some of which are already being consulted on through exposure drafts.[8]

This approach, if adopted, would help provide investors and other stakeholders with globally consistent, quantitative, decision-useful information and comparability of performance both across sectors and within sectors, with some flexibility to accommodate differences by sector and by business model.

Annex 2 includes the detailed list of the TNFD's 14 core global indicators.[9]

4. Requirement for quantitative information about anticipated financial effects of material nature-related risks and opportunities should be retained

Anticipated – along with current – financial effects of nature-related risks are a core part of the TNFD disclosure recommendations. The TNFD notes that the revised ESRS exposure drafts introduce two possible options for reporting anticipated financial effects of material sustainability-related risks and opportunities (as explained in paras 64-65, Basis for Conclusion of the draft amended ESRS).

- Under Option 1, undertakings are required to disclose quantitative information, with the possibility to omit quantitative disclosures and report instead only qualitative effects when undertakings cannot provide quantitative disclosures.
- Option 2, by contrast, reduces the requirement to qualitative disclosures only, with quantitative information provided on a purely voluntary basis.

[8] See the public consultation on the Proposed Amendments to the SASB Standards here: https://www.ifrs.org/projects/work-plan/enhancing-the-sasb-standards/ed-cl-sasb/. In addition, the ISSB also recently published a Staff Paper entitled 'Nature and the proposed SASB Amendments', which specifically looks at the amendments made to the nature-related SASB metrics in order to increase alignment with TNFD and GRI.

[9] The full list of TNFD's cross sector (global) disclosure metrics (core and additional) can be found in respectively Annex 1 and Annex 2 of the TNFD disclosure recommendations

While acknowledging that quantification of nature-related financial effects is new and may be unfamiliar to market participants and a source of concern given the forward-looking nature of the disclosures and the potential for measurement uncertainty, the TNFD notes that examples of quantitative estimates have been presented in recent TNFD reporting, along with case studies on the assessment of nature-related DIROs using the TNFD LEAP approach to support quantification efforts.[10] The TNFD has also published a discussion paper on conducting advanced scenario analysis, which presents examples of approaches that can be used by companies to inform this forward-looking view.

In line with the TNFD's recommendation Strategy B disclosure (carried over from TCFD), the TNFD recommends disclosure of current and anticipated effects of nature-related risks and opportunities on the report preparer's financial position, performance and cashflow be retained (Option 1 above). Specifically, the anticipated effects on revenues, expenses, cashflows, asset and liability values and funding sources are asked to be disclosed over the short, medium and long term.

In addition, as part of its set of 14 disclosure metrics (see Table 2 of Annex 2) the TNFD also includes core risk metrics asking companies to disclose value of assets, liabilities, revenue and expenses that are assessed as vulnerable to nature-related transition and physical risks.

Additional technical suggestions related to changes in commonality between the ESRS and the TNFD framework

In addition to the priority suggestions set out in the TNFD Co-chairs' 10 July letter and further specified in this technical note, the TNFD Secretariat has identified a number of other important technical issues in the revised ESRS exposure drafts. The TNFD is raising these issues now and in some detail because in our view they reduce the level of commonality between the ESRS and the TNFD framework. These 'additional technical suggestions' are outlined below and will also be reflected in our response to EFRAG's public consultation survey.

Biodiversity and ecosystem targets (DR E4-4, ESRS E4 Exposure Draft)

- *Relevant section(s) of EFRAG's public consultation survey: question 30) 'ESRS E4 DR E4-4'*

As part of the ESRS simplification process, the TNFD notes that disclosure specifications and application requirements on biodiversity and ecosystem targets have been mostly removed, causing a reduction in the alignment with the TNFD recommendations and specifically TNFD Metrics and Targets C. The TNFD strongly suggests the inclusion of additional text and guidance at least as part of AR 5 for para. 17 of ESRS E4 Exposure Draft, e.g. by pointing to the relevant content from science-based frameworks such as the Science Based Targets Network (SBTN). As biodiversity is location-specific, appropriate targets will differ depending on the local context, and guidance such as that developed by SBTN can aid companies in ensuring they have a robust, science-based approach to identifying the targets needed. Additionally, the TNFD notes that:

[10] See for example the disclosure reports cited in the TNFD, University of Oxford Environmental Change Institute (as part of the Resilient Planet Finance Lab), Global Canopy (2025) Evidence review on the financial effects of nature-related risks; and key findings from GRI, TNFD (2025) Identifying risks and opportunities to organizations arising from dependencies and impacts on nature.

- The removal of specification of alignment of a target with the GBF and EU policy (Set 1 para. 32 (b), ESRS E4) is a reduction in alignment with the TNFD, as this is specifically required in TNFD Metrics and Targets C.
- The removal of the requirement to specify geographical scope (Set 1 para. 32 (d), ESRS E4) may result in a loss of usefulness of the disclosure. While this is not covered explicitly in TNFD's Metrics and Targets C, TNFD general requirement 3 specifies that consideration of the geographic location of the organisation's interface with nature should be integral to the assessment of nature-related issues.
- In the new general provisions on the disclosure of targets as part of ESRS 2, ESRS now state that targets may be qualitative (para. 43, ESRS 2 Exposure Draft). The TNFD glossary specifically defines a target as quantitative ('specific quantitative and time-bound objective, preferably with a defined means of measurement.').
- The new general provisions on the disclosure of targets as part of ESRS 2 remove the disclosure of involvement of stakeholders in target-setting, which reduces alignment with TNFD general requirement 6, which reflects that effective and meaningful engagement with people is an important aspect of any robust identification, assessment and management of nature-related issues.

Site-specific provisions (Chapter 3.7 of ESRS 1 Exposure Draft and DR IRO-1, ESRS 2 Exposure Draft)

- *Relevant section(s) of EFRAG's public consultation survey: question 11) 'Clarifications and simplification of the Double Materiality Assessment (DMA) (ESRS 1 Chapter 3) and materiality of information as the basis for sustainability reporting' and question 14) 'Restructuring of the architecture and interaction between ESRS 2 and Topical Standards'*

As part of the elevation of the topical provisions on IRO-1 at the level of ESRS 1 and ESRS 2, the TNFD notes that the ESRS provisions related to the disclosure of whether and how the undertaking has screened its site locations for material nature-related IROs have been significantly reduced and may create substantial misalignment with the TNFD approach. In particular:

- The individual AR 23 for para. 52 of ESRS 1 Exposure Draft is not in our view sufficient to clarify that the screening of locations is paramount for undertakings to fully understand their material nature-related IROs.[11]
- The same AR of ESRS 1 is also not in our view sufficient to stress the importance of the disaggregation of the information on material IROs by site, in line with the TNFD approach. The TNFD encourages EFRAG to consider requiring the site information to be always disclosed alongside the individual IROs, as is the case for the recommendations of the TNFD (especially at the level of the metrics).
- While some provisions for ESRS E2 and ESRS E4 remain, topical standard E3 Exposure Draft completely removes the site screening requirement that was instead

[11] The TNFD also notes that a number of individual members of the Sustainability Reporting Technical Expert Group (SR TEG) also raised this concern and flagged the lack of alignment with TNFD for the 'by-site DMA-disclosure' (Basis for Conclusion, para. 30).

included in Set 1 (Set 1 para. 11 (a), ESRS E3). While the Basis for Conclusions notes that 'the removal of the site screening requirement was particularly requested and driven by the lack of observed reporting practices', the TNFD would like to point to the high number of examples of TNFD reporting and location-specific nature-related materiality assessments conducted by companies adopting the LEAP approach for their DMA, and would urge EFRAG to consider re-instating this provision, which is instead still kept for ESRS E2 and E4.

- The TNFD welcomes the retention of the provisions related to the disclosure of material sites negatively affected biodiversity-sensitive areas and the activities negatively affecting those areas (para. 20, ESRS E4 Exposure Draft). The TNFD notes some divergence with the TNFD recommended disclosure Strategy D, which recommends the disclosure of the locations of assets and/or activities in the organisation's full value chain, including where possible upstream and downstream value chain(s). The TNFD also recommends under Strategy D disclosure of assets and/or activities in sensitive locations beyond those deemed material.

Interests and views of stakeholders (DRs SBM-2 and IRO-1, ESRS 2 Exposure Draft)

- *Relevant section(s) of EFRAG's public consultation survey: part 3, for SBM-2 and IRO-1, ESRS 2 Exposure Draft*

The TNFD also observed that, throughout the ESRS exposure drafts, the concept of affected communities is now addressed under the broader category of affected stakeholders in ESRS 1. This may simplify how information is presented to users of reports, but the TNFD cautions against the over-simplification and streamlining of key information on how stakeholders have been engaged and potentially affected. This creates a lack of alignment with TNFD's disclosure recommendation Governance C. In particular, the TNFD asks EFRAG to carefully reconsider the removal of the following information about engagement with key stakeholders from the original text of Set 1 SMB-2, ESRS 2:

- How the stakeholder engagement is organised; its purpose; and how its outcome is taken into account by the undertaking (Set 1 para. 45 (a) (iii-v), ESRS 2)
- A description of the understanding of the interests and views of its key stakeholders as they relate to the undertaking's strategy and business model, to the extent that these were analysed during the undertaking's due diligence process and/or materiality assessment process (Set 1 para. 45 (b), ESRS 2)

Finally, the TNFD welcomes the retention of the request in IRO-1 as to whether and how the materiality process includes consultation with affected stakeholders and external experts. Nevertheless, key information may be lost with the deletion of the provision to 'understand *how* they may be impacted' (Set 1 para. 53, ESRS 2), and keeping a sole focus instead on whether stakeholders have been consulted.

ESRS E4 Biodiversity and ecosystems – Disclosure of transition plan for biodiversity and ecosystems (DR E4-1, ESRS E4 Exposure Draft)

- *Relevant section(s) of EFRAG's public consultation survey: question 23) 'Six datapoints exceptionally moved from "may" to "shall'*

In the amended ESRS E4 on disclosure of transition plans for biodiversity and ecosystems, the TNFD agrees with EFRAG's position that including and disclosing nature in transition plans is an emerging practice. The TNFD will release its final guidance on nature in transition plans on 4 November 2025, which has been developed based on feedback from more than 50 organisations as part of a market consultation and pilot testing with 14 companies and financial institutions of draft guidance in a TNFD discussion paper. The TNFD expects its upcoming guidance on nature in transition plans to further support market practice and growing development and disclosure of nature in transition plans in future.

Annex 1: the role of the TNFD in the current nature-related corporate reporting landscape

A focus on interoperability and alignment

Since its inception in late 2021, the TNFD has valued its close collaboration with EFRAG and other stakeholders in the development of sustainability reporting arrangements:

- Between 2021 and 2023, the Taskforce provided input into the development of the ESRS to maximise the consistency of the ESRS and the TNFD recommendations as they were developed in parallel.[12] The ESRS were issued as a Delegated Act in July 2023 and the TNFD's 14 recommended disclosures, building on the TCFD's 11 disclosures, were released in September 2023.
- In December 2023, EFRAG and TNFD signed a Memorandum of Understanding (MoU) to deepen their collaboration; and
- In June 2024, the TNFD and EFRAG released a correspondence mapping of the ESRS to the TNFD disclosure recommendations and core metrics to help companies understand the commonalities between ESRS and TNFD.[13]
- In the Application Requirements to market participants associated with the current exposure draft of ESRS 2 (para 26), EFRAG refers to the TNFD's LEAP assessment approach as a reference that undertakings may consider when performing their materiality assessment with respect to nature-related issues.[14]

As part of TNFD's mission to inform standards and regulatory arrangements for nature-related assessment and reporting by both corporates and financial institutions, the TNFD has also continued to work closely with other standard setters, most notably the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI).

- Between 2021 and 2023, the TNFD provided input in the development of the International Financial Reporting Standard (IFRS) S1 and S2 Standards. Upon their release in June 2023, the ISSB welcomed the TNFD recommendations and confirmed their consistency with the ISSB's approach embodied in its S1 General Requirements Standard.
- In April 2025, the TNFD and ISSB announced the signing of a Memorandum of Understanding (MOU) deepening collaboration, specifically to help inform the ISSB's ongoing research projects on Biodiversity, Ecosystems and Ecosystem

[12] TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures

[13] EFRAG, TNFD (2024) Correspondence mapping: ESRS requirements and TNFD Disclosure Recommendations and metrics.

[14] LEAP stands for Locate, Evaluate, Assess and Prepare. See TNFD (2023) Guidance on the identification and assessment of nature-related issues: the LEAP approach

Services (BEES) and the enhancements of the Sustainability Accounting Standards Board (SASB) Standards.[15]

- The TNFD has also collaborated closely with GRI, drawing on many of its standards and metrics to inform the TNFD recommendations. The Taskforce has also supported the subsequent update and alignment of the *GRI 101: Biodiversity 2024* Standard to the TNFD. In July 2024, the TNFD and GRI published an interoperability mapping between the GRI Standards and the TNFD recommended disclosures and metrics to help GRI's 14,000 reporters globally align with the TNFD recommendations, and assist TNFD adopters in their sustainability reporting according to GRI Standards.[16]

In short, the TNFD, as a provider of market-led, science-based recommendations, has been committed to close collaboration with ISSB, GRI and EFRAG as standard setters. The TNFD is fully committed to informing the further emergence of a global architecture for corporate assessment and reporting of material nature-related issues in a way that is both science-based and practical to implement; and enables the effective management of nature-related issues for both companies and capital providers.

Key features of the TNFD approach

As was conveyed through our input into previous phases of EFRAG consultation since the Omnibus review process began in early 2025, the TNFD's work over the past four years – with extensive input from a wide range of science partners, civil society organisations and market participants globally – has resulted in the Taskforce publishing a set of 14 recommended disclosures. By design, these have built on those of the TCFD, drawn on the standards and metrics used by GRI and SASB reporting entities; and intended to be highly consistent with the IFRS S1 Standard released in mid-2023. The TNFD's recommended disclosures are already highly consistent with those called for in the ESRS.

A science-based, integrated approach to nature beyond climate change

The TNFD provides market participants with a *science-based, integrated* approach to assessment and disclosure of nature-related issues beyond climate change that may be material to their organisation.

The conceptual foundations of the TNFD framework are anchored in the best available science and concepts including the IPBES[17] and the Natural Capital Protocol.[18] The five drivers of nature change identified by the IPBES are the central organising concept of the TNFD approach.

Second, the scope for assessment and reporting covers all aspects of nature and biodiversity across the four 'realms' of nature – atmosphere, land, freshwater and oceans – excluded GHG emissions which were covered by the TCFD.

[15] IFRS Foundation and TNFD formalise collaboration to provide capital markets with high-quality nature-related information, April 2025.

[16] TNFD, GRI (2024) Interoperability mapping between the GRI Standards and the TNFD Recommended Disclosures and metrics

[17] Climate change; Land/freshwater/ocean use change; Resource use/replenishment; Pollution/pollution removal; Invasive alien species introduction/removal. The TNFD adds 'freshwater use change' with respect to the IPBES driver of land/sea use change.

[18] Capitals Coalition (2016) Natural Capital Protocol.

Third, the TNFD approach calls for organisations to *assess* four aspects of their interface with nature – their dependencies and impacts *on* nature; and the corresponding risks and opportunities *to* their organisation (DIROs) – consistent with Target 15 of the GBF.[19] It takes an agnostic approach to materiality, recognising that different organisations today take different approaches to disclosure depending on their own requirements, including their relevant regulatory compliance considerations.

A bias towards practical action by market participants

The Taskforce has also provided market participants with a suite of additional guidance, recommended metrics and practical tools to get started while the standards and regulatory landscape continue to evolve. The Taskforce has published:

- Recommended indicators and metrics for both assessment and disclosure of nature-related issues beyond climate, including 9 'core' cross-sector impact and dependency disclosure indicators and 5 risk and opportunity 'core' disclosure indicators (a total of 14 recommended 'core' disclosure metrics). The recommended dependency and impact metrics are organised around the five drivers of nature change and supplemented with recommended sector-specific metrics. As a portfolio of metrics they are intended to streamline reporting and aid consistency and comparability for investors and other stakeholders. The TNFD also provides a longer list of suggested 'additional' metrics for disclosure where material for an organisation.
- Guidance for the internal identification and assessment of nature-related issues – the LEAP approach – now in use by thousands of organisations globally. It is already referred to in the Application Requirements of the ESRS as a suitable materiality assessment tool;
- Sector guidance now covering 50% of the SICS® industries, which include sector-specific disclosure metrics as well as sector-specific considerations when applying the LEAP approach; and
- Further application guidance on scenario analysis, engagement with Indigenous Peoples, Local Communities and affected stakeholders, different biomes, and target setting (developed with the Science Based Targets Network).

As of June 2025, almost 600 organisations have voluntarily and publicly committed to nature-related corporate reporting aligned with the TNFD recommendations. This comes in anticipation of the formalisation of global nature-related reporting requirements drawing on the TNFD in the global baseline for sustainability reporting being developed by ISSB and already reflected through the high level of alignment with mandatory reporting requirements, including under the CSRD. 118 of these publicly committed organizations are in EU jurisdictions and a large proportion of other TNFD adopters outside of Europe fall under CSRD regulations.

Within 12 months of the release of the TNFD recommendations in September 2023, over 100 first-generation TNFD reports had been published. Research by Lancaster University of 116 of these TNFD-aligned disclosure reports confirms the practicality of the TNFD

[19] Convention on Biological Diversity. Businesses assess, disclose and reduce biodiversity-related risks and negative impacts

recommendations.[20] The Lancaster University research suggests that learning from TCFD on climate-related issues has supported TNFD reporting, demonstrating the benefit of building on existing market practice and capabilities.

[20] TNFD. June 2025. Insights from first-generation nature-related reporting. TNFD webinar library

Annex 2: TNFD's recommended core disclosure metrics

Table 1: TNFD's core global dependencies and impacts indicators and metrics

	Driver of nature change	Indicator	Metric
	Climate Change	GHG Emissions	Refer to ISSB's IFRS-S2 Climate-related Disclosures Standard
C1.0	Land/freshwater/ ocean-use change	Total spatial footprint	Total spatial footprint (km2) (sum of): • Total surface area controlled/managed by the organisation, where the organisation has control (km2); • Total disturbed area (km2); • Total rehabilitated/restored area (km2).
C1.1		Extent of land/ freshwater/ ocean-use change	Extent of land/freshwater/ocean ecosystem use change (km2) by: • Type of ecosystem; and • Type of business activity.
			Extent of land/freshwater/ocean ecosystem conserved or restored (km2), split into: • Voluntary; and • Required by statutes or regulations.
			Extent of land/freshwater/ocean ecosystem that is sustainably managed (km2) by: • Type of ecosystem; and • Type of business activity.
C 2.0	Pollution/ pollution removal	Pollutants released to soil split by type	Pollutants released to soil (tonnes) by type, referring to sector-specific guidance on types of pollutants.
C2.1		Wastewater discharged	Volume of water discharged (m3), split into: • Total; • Freshwater; and • Other.
			Including: • Concentrations of key pollutants in the wastewater discharged, by type of pollutant, referring to sector-specific guidance for types of pollutants; and

			• Temperature of water discharged, where relevant
C2.2		Waste generation and disposal	Weight of hazardous and non hazardous waste generated by type (tonnes), referring to sector-specific guidance for types of waste. Weight of hazardous and nonhazardous waste (tonnes) disposed of, split into: • Waste incinerated (with and without energy recovery); • Waste sent to landfill; and • Other disposal methods.
			Weight of hazardous and nonhazardous waste (tonnes) diverted from landfill, split into waste: • Reused; • Recycled; and • Other recovery operations.
C2.3		Plastic pollution	Plastic footprint as measured by total weight (tonnes) of plastics (polymers, durable goods and packaging) used or sold broken down into the raw material content.
			For plastic packaging, percentage of plastics that is: • Re-usable; • Compostable; • Technically recyclable; and • Recyclable in practice and at scale.
C2.4		Non-GHG air pollutants	Non-GHG air pollutants (tonnes) by type : • Particulate matter (PM2.5 and/or PM10); • Nitrogen oxides (NO2, NO and NO3); • Volatile organic compounds (VOC or NMVOC); • Sulphur oxides (SO2, SO, SO3, SOX); and • Ammonia (NH3)
C3.0	Resource use/ replenishment	Water withdrawal and consumption from areas of water scarcity	Water withdrawal and consumption (m3) from areas of water scarcity, including identification of water source.
C3.1		Quantity of high-risk natural commodities sourced from land/ocean/ freshwater	Quantity of high-risk natural commodities (tonnes) sourced from land/ocean/freshwater, split into types, including proportion of total natural commodities.

			Quantity of high-risk natural commodities (tonnes) sourced under a sustainable management plan or certification programme, including proportion of total high-risk natural commodities.
C4.0	Invasive alien species and other	Placeholder indicator: Measures against unintentional introduction of invasive alien species (IAS)	Proportion of high-risk activities operated under appropriate measures to prevent unintentional introduction of IAS, or low-risk designed activities.
C5.0	State of nature	Placeholder indicator: Ecosystem condition	For those organisations that choose to report on state of nature metrics, the TNFD encourages them to report the following indicators, and to refer to the TNFD additional guidance on measurement of the state of nature in Annex 2 of the LEAP approach:
			• Level of ecosystem condition by type of ecosystem and business activity;
		Placeholder indicator: Species extinction risk	• Species extinction risk. There are a number of different measurement options for these indicators. The TNFD does not currently specify one metric as there is no single metric that will capture all relevant dimensions of changes to the state of nature and a consensus is still developing. The TNFD will continue to work with knowledge partners to increase alignment.

Table 2: TNFD's core global risks and opportunities metrics

Category	Metric no.	Metric
Risk	C7.0	Transition risks: Value of assets, liabilities, revenue and expenses that are assessed as vulnerable to nature-related transition risks (total and proportion of total).
Risk	C7.1	Physical risks: Value of assets, liabilities, revenue and expenses that are assessed as vulnerable to nature-related physical risks (total and proportion of total).
Risk	C7.2	Litigation risk: Description and value of significant fines/penalties received/litigation action in the year due to negative nature-related impacts.

Opportunity	C7.3	Business performance: Amount of capital expenditure, financing or investment deployed towards nature-related opportunities, by type of opportunity, with reference to a government or regulator green investment taxonomy or third-party industry or NGO taxonomy, where relevant.
Opportunity	C7.4	Sustainability performance: Increase and proportion of revenue from products and services producing demonstrable positive impacts on nature with a description of impacts.

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