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[Draft] TNFD-ESRS correspondence mapping

Cover note

Objective

1. The purpose of this EFRAG SRB session is to approve the [draft] TNFD-ESRS correspondence mapping (papers 06-02 and 06-03) jointly developed by EFRAG Secretariat and TNFD Secretariat.

Background

2. The CSRD requires that in adopting the Delegated Acts the European Commission shall to the greatest extent possible take account of the work of global standard-setting initiatives. In addition, ESRS should contribute to convergence of global standards to reduce the risk of inconsistent reporting requirements for undertakings that operate globally.
3. EFRAG and TNFD have worked closely together to ensure continuous exchange in the development of the ESRS environmental standards and the TNFD recommendations. In December 2023, EFRAG and TNFD signed a Memorandum of Understanding (MoU), highlighting the importance of advancing corporate sustainability assessment and reporting to address nature-related issues, reflecting their shared commitment to enhance corporate transparency related to nature, including biodiversity and ecosystems. As part of this MoU, EFRAG also officially became the twentieth knowledge partner of the TNFD.
4. This [draft] mapping helps entities understand the commonalities between the TNFD recommended disclosures and the ESRS and points at differences, where relevant. It lists the ESRS disclosure requirements that map to the disclosures recommended by TNFD, supporting preparers planning to disclose on both.
5. This [draft] mapping was reviewed taken into consideration comments provided by SR TEG on 18 January 2024. Among others, SR TEG advised to frame the mapping as a “correspondence table” instead of an “interoperability table”, so as not to imply that the referenced TNFD and ESRS disclosures are necessarily equivalent or interchangeable, and to further review the mapping keeping the current granularity level of the table. It was also recommended to hold an educational session on TNFD for SR TEG members and concluded that interviews with European preparers committed to adopt TNFD would be held to get insights on their reporting experience. The SRB was informed in its meeting of 24 January about the discussion with the SR TEG.
6. The revised [draft] version of the mapping includes some adjustments in the lists of ESRS corresponded to TNFD recommended disclosures and highlights in more detail the type of differences (e.g. in scope or granularity) that exist among referenced TNFD and ESRS disclosures, as shown in the column ‘Comment for publication’ of the correspondence table in Part 2. Part 1, the accompanying document to the correspondence table, was edited to

adjust the language used when referring to the level of correspondence between TNFD and the ESRS, reflecting the advice provided by the SR TEG.

7. The SR TEG welcomed the revised version of the mapping and approved it in its session of 6 May 2024, subject to some additional (minor) edits. Comments received include the following: Change a comment in the correspondence table to reflect that TNFD's reference to the 'value of assets, liabilities, revenues and expenses' is not more specific than the aspects addressed by ESRS' definition of financial effects ('financial position, financial performance and cash flows. '); add a comment to highlight that, while the ESRS only requires the disclosure of material sites in relation to own operations (TNFD recommends disclosure also in connection with value chain), ESRS preparers can disclose material sites connected to their value chain, particularly also if using the LEAP approach, which is voluntary; delete one reference to ESRS E1 in relation to the integration of nature-related issues in remuneration policies; and include an additional reference to S3-1 corresponding with a TNFD recommended disclosure on human rights policies.

Informal feedback received on the [draft] mapping

8. In March and April 2024, EFRAG and TNFD conducted informal bilateral calls with eight preparers, that are also TNFD early adopters and/or TNFD Taskforce members to gather practical feedback on the [draft] ESRS-TNFD correspondence mapping. The preparers were from the following sectors: Oil and Gas Services, Electric Utilities & Power Generators, Apparel, Accessories & Footwear, Financial Institutions and Professional and Commercial Services and based in the following countries: France, Spain, Germany, Italy, Switzerland and the Netherlands.
9. The EFRAG secretariat had also an informal call with select SR TEG members to gather additional feedback in March and organised an educational working session with interested SR TEG members on 8 April.
10. Stakeholders consulted highlighted that further understanding of the existing nature-related standards and frameworks and of the similarities among them is needed. Consequently, they welcomed and acknowledged the value of the mapping exercise being developed.
11. Preparers consulted showed a different level of maturity in their implementation or preparation of the TNFD and the environmental ESRS. The priority for all was in preparing to meet the ESRS requirements, including performing gap analysis to understand where further data gathering is required. The level of adoption of TNFD varied, most preparers being in their early stages and expecting to focus on their adoption of TNFD recommendations over the coming years.
12. More than half of the preparers interviewed had started to implement the LEAP approach, considered useful especially for the focus on risk assessment, but also facing some challenges to implement in full. Some of the challenges mentioned in relation to ESRS and TNFD adoption related to the identification of relevant metrics, the identification and tracking of IRO-aspects throughout the value chain and the location-specificity of nature-related disclosures.
13. Some preparers also highlighted that, in addition to the LEAP approach, also other aspects of the TNFD additional guidance are being useful to comply with ESRS requirements. These include the guidance on engagement with Indigenous Peoples, Local Communities and affected stakeholders, and the additional guidance for financial institutions.

14. SR TEG members and preparers consulted welcomed the additional level of detail in the column 'Comment for publication' of the draft correspondence table (Part 2) highlighting the differences among the corresponding disclosures, which helps ESRS preparers identify incremental aspects to disclose to fully meet TNFD recommendations. Some stakeholders further mentioned that a clear indication of the percentage of TNFD recommendations that would be met by disclosing the relevant ESRS would be helpful, too (this is something EFRAG is not proving through this mapping). Some stakeholders commented on the directionality of the mapping used, suggesting that mapping the disclosures the other way round (listing the TNFD disclosures that correspond to the ESRS) would be helpful for preparers to better leverage TNFD to inform ESRS reporting (to be considered for future work). No further specific comments or suggestions were received on the accompanying document (Part 1).
15. Indicating a percentage of alignment can be considered as methodologically challenging and would require going beyond the initial correspondence assessment done following SR TEG advice. To do so, a more granular comparison by datapoint may be required, as well as a method, for instance, to count the percentage of coverage of a TNFD disclosure that is addressed through a less specific or granular ESRS datapoint.
16. In terms of the directionality of the mapping, it was assessed that both directions of the mapping are useful and decided to start with the current one, which is also aligned with the directionality of the mapping done by EFRAG against the GRI standards. The EFRAG and TNFD staff agreed to explore in the near future if the other directionality of the mapping should be done, too, based on the perceived market demand and the organizations' work priorities and resources.

Question for EFRAG SRB

17. Does EFRAG SRB approve the documents 06-02 and 06-03 (subject to final editorial editing and formatting)?

Next steps

18. If approved by the SRB, this [draft] TNFD-ESRS Correspondence Table (Part 1 and 2) will be released (after final editorial editing and formatting).
19. Additional work to leverage and identify synergies with the TNFD framework and guidance like the LEAP approach, e.g. in relation to sector standards, will be explored.

Agenda papers

20. In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 06-02 – [Part 1: Accompanying document to the correspondence table];
 - (b) Agenda paper 06-03 – [Part 2: Correspondence Table].