TNFD Nature in Scope

A summary of the proposed scope, governance, work plan, communication and resourcing plan of the TNFD

June 2021
Foreword

We are pleased to have served as Co-Chairs of the Informal Working Group (IWG) to the Taskforce on Nature-Related Financial Disclosures (TNFD). This has been an exciting and dynamic preparatory phase towards the launch of this much-needed market-leading transformative effort.

According to estimates by the World Economic Forum, more than half the world’s economic output—US$ 44tn of economic value generation—is moderately or highly dependent on nature. The TNFD is expected to support the shift in finance by providing a framework for organisations to report and act on evolving nature-related risks, in order to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

The IWG engaged 75 members covering financial institutions, regulators, corporates and others influential actors with over US$ 8.5 trillion in assets. We were further supported by the United Nations, with UNDP and UNEP Finance Initiative playing the role of ‘Accelerator Team’, WWF and Global Canopy. Inputs were widely received from observers and an initial group of stakeholders. We will continue to broaden engagement, seeking out the views of further groups and experts including representatives of indigenous peoples and affected communities through the work of the full Taskforce. The groups and individuals in the IWG worked intensively over 9 months through member-led workstreams and with commissioned technical support to craft and deliver the material summarised herein.
The result is this ‘Nature in Scope’ paper which summarizes practical recommendations for the technical scope and operating model of the TNFD. Delivery of these is supported by a well-crafted two-year work plan anchored in building, testing and consultation—in the continuum of evolving risk, that is being iterative and adaptive to this rapidly evolving space.

The governance of the TNFD has been established to enable a market-led initiative in the service both of financial risk identification and management, as well as positive outcomes for nature and economic stability more broadly.

Following the completion of the preparatory phase, having secured widespread support for the aims of the initiative, we are pleased to welcome the TNFD Co-Chairs: Elizabeth Maruma Mrema, Executive Secretary of the UN Convention on Biological Diversity and David Craig, Founder & CEO of Refinitiv and Group Head of Data and Analytics for London Stock Exchange Group (LSEG).

We look forward to supporting the incoming co-Chairs and the members of the Taskforce and wish them the greatest success in carrying forward the delivery of this important initiative, which is needed to turn the tide of nature loss worldwide and limit the exposure of biodiversity-related risks on financial stability.

The IWG TNFD Co-Chairs:

Mariuz Calvet
Grupo Financiero Banorte

Antoine Sire
BNP Paribas

Rhian-Mari Thomas
Green Finance Institute

Catalyzed by the founding partners:

Global Canopy
UNDP

WWF

The work of the TNFD is supported by an anchor investment by the Global Environment Facility (GEF). Other donors are expected to be confirmed soon.
A summary of the proposed scope, governance, workplan, resourcing and communications needs of the TNFD.

This report is based on 9 months of work by the five workstreams of the Informal Working Group (IWG) of the TNFD set up in September 2020. It has been prepared for the members of the IWG and is available for public distribution.

The Informal Working Group (IWG) was led by market players and developed this paper through a number of workstreams, bringing together the collective knowledge and experience of dozens of organisations. As a culmination of this effort, the paper summarizes the way forward for the coming two-year effort, and sets the stage for a market-wide shift in how nature-related risks are reported and acted upon.

**Proposed Goal of the TNFD:**

The goal of the TNFD is to provide a framework for organisations to report and act on evolving nature-related risks, in order to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.
Proposed TNFD Principles:

1. **Market Usability**: Develop frameworks directly useful and valuable to market reporters and users, notably corporations and financial institutions, as well as policy and other actors.

2. **Science-based**: Follow a scientifically anchored approach, incorporate well established and emerging scientific evidence and aim to incorporate other existing science-based initiatives.

3. **Nature-related Risks**: Address nature-related risks that include immediate, material financial risks as well as nature dependencies and impacts and related organisational and societal risks.

4. **Purpose-driven**: Be purpose driven and actively target reducing risks and increasing nature-positive action by using the minimum required level of granularity to ensure achievement of the TNFD goal.

5. **Integrated & Adaptive**: Build effective measurement and reporting frameworks that can be integrated into and enhance existing disclosures and standards. Account for and be adaptive to changes in national and international policy commitments, standards and market conditions.

6. **Climate-Nature Nexus**: Employ an integrated approach to climate- and nature-related risks, scaling up finance for nature-based solutions.

7. **Globally Inclusive**: Ensure the framework and approach is relevant, just, valuable, accessible and affordable worldwide, including emerging and developed markets.
The TNFD Scope is focused on living nature and elements relating to living nature such as air, soil and water. In addition to shorter-term financial risks, the scope includes longer term risks represented by its impact and dependencies on nature. The TNFD is not a new standard but an aggregator of the best tools and materials to promote worldwide consistency for nature-related reporting.

**TNFD Work Plan**

The TNFD Work Plan is presented as a means to put the goal, principles and scope into action over a two-year period (2021–2023). It includes detail on how the TNFD framework will be developed with the best available scientific and technical input, piloted broadly with institutions globally priority sub-sector, consulted on widely with all interested stakeholders, and eventually launched for wide adoption in the market from 2023 onwards.

**TNFD Governance Structure**

The TNFD Governance structure is a streamlined approach best suited to a market-led initiative, with appropriate accountability and guardrails. It involves two Co-Chairs who represent both the public and private sector, global North and South plus topic expertise in nature and finance. The Taskforce membership comprises 30 individuals from the financial sector, data reporters and supporters such as data providers and accountants.
Highlights: Who benefits from TNFD’s work?
Investors can make informed and robust capital allocation decisions based on clarity, confidence and trust in natural capital and environmental opportunities and risks disclosed by a company, alongside climate change.

Analysts can be better equipped to utilise environmental and natural capital-related information in determining impacts on future cash flow and ultimately company valuations, alongside climate change.

Companies can use the TNFD Framework to incorporate environmental and natural capital-related information in mainstream financial reports alongside data on climate, assisting companies in achieving a holistic view of how climate change and natural capital can affect their performance and the necessary actions they could take to address the risks and opportunities.

Regulators can benefit from standards-ready material and a framework that can be immediately adopted or referenced as a method of compliance in regulation/guidance, informing business decision-making related to the use of natural resources, land and sustainable behaviour.

Stock exchanges can consider new voluntary and mandatory listing requirements linked to material environmental and natural capital-related risks and opportunities alongside climate change.

Accounting firms can provide more comprehensive assurance of companies reporting on environmental and natural capital-related performance.
Proposed TNFD Scope

The TNFD framework will adopt a four-pillar approach, structured around how organizations operate: governance, strategy, risk management, metrics and targets (see Figure 1 below and glossary for definitions). This is the same structure used by the Task Force on Climate-related Financial Disclosures’ (TCFD) framework. However, in recognition of the particular challenges of measuring nature, broader policy and market developments, and the systemic nature of the risk, the TNFD will incorporate a broader definition of the term “risks and opportunities” into each pillar. We recommend the use of the term “nature-related risks and opportunities” to broadly refer to the risks and opportunities to an organization posed by the linkages between its activities and nature. In addition to shorter-term financial risks, this includes longer term risks represented by its impact and dependencies on nature. Precise definitions of each of these components are provided below.

This means organizations should disclose not just how nature may (positively or negatively) impact the organization’s immediate financial performance (“outside in”), but also how the organization (positively or negatively) impacts nature (“inside out”). This approach to risk is consistent with TCFD’s broad approach to financial materiality that extends beyond immediate risks to consider transition risks through the use, for example, of scenarios. Moreover, it reflects the direction of emerging debate and practice across financial institutions and regulators concerning how environmental risks and opportunities should be managed. Each organization’s governance, strategy, risk management, metrics and targets should be designed to mitigate risks to the organization (“outside in”) including risks associated with its impact on nature (“inside out”). This two-way approach is necessary to robustly identify, assess and manage systemic nature-related risks and, in turn, inform estimations of long-term risks to individual organizations.

Following from this, the TNFD will broadly seek to align with the two global targets in the CBD’s zero-draft Global Biodiversity Framework of “no net loss by 2030 and net gain by 2050.” The TNFD framework will provide a structure for organizations to report against the four pillars. The framework will be supported by guidance on how non-financial companies and financial institutions can align their business practices and financing respectively to manage their impacts and dependencies on nature.
Figure 1 – Core elements of recommended nature-related financial disclosures

**Metrics and targets:** The metrics and targets used to assess and manage relevant impacts and dependencies on nature and associated risks and opportunities.

**Governance:** The organisation's governance around impacts, dependencies, risks and opportunities.

**Strategy:** The actual and potential effect of the organisation's impacts and dependencies on nature and associated risks and opportunities on its business, strategy, and financial planning.

**Risk management:** The processes used by the organisation to identify, assess and manage its impacts and dependencies on nature and associated risks and opportunities.

**Nature related risks:** In each of the above pillars, the organisation must consider its impacts on nature, dependencies on nature, and the resulting financial risks and opportunities.

*Source: IWG TNFD’s Informal Technical Expert Group, drawing from TCFD (2017): Recommendations of the Task Force on Climate-related Financial Disclosures*

The TNFD framework will align with and draw from existing initiatives, frameworks and standards relevant to its scope. Building from the important work already done on nature-related risks and opportunities and avoiding the duplication of work is paramount to the TNFD’s approach. The TNFD does not intend to develop a standard (either for disclosure or broader activities) itself. The TNFD intends for its outputs to be integrated into existing frameworks and standards in the space, such as those published by GRI, SASB, CDSB and the forthcoming IFRS Sustainability Board (this list is illustrative only). It will moreover engage with and draw from the work of key bodies and networks, including the Financial Stability Board (FSB) and the Network of Central Banks for Greening the Financial System (NGFS). Following on from this, the TNFD intends for reporting entities to integrate TNFD-aligned reporting within mainstream corporate reporting, as opposed to the creation of a dedicated “TNFD report”.

When compiling TNFD-aligned reporting material, financial institutions will be able to use data from both corporate disclosure and from third party data sources. Third party data sources could include traditional financial research, ratings and data service providers, remote sensed data, public databases, sources and references such as the UN SEEA framework, the data and metrics used for the UN CBD Post-2020 Global Biodiversity Framework, and those provided by other relevant stakeholders such as NGOs. As data from corporate disclosure and data from third party data sources will be collected and managed in different ways, the TNFD will need to provide guidance to financial institutions on how to use each for disclosures. This represents an extension of scope relative to the TCFD.
Definition of nature-related risks and opportunities

We recommend the term “nature-related risks and opportunities” to broadly refer to the risks and opportunities to an organization posed by the linkages between its activities and nature. In addition to shorter-term financial risks, this includes longer term risks represented by its impact and dependencies on nature. As a result, this term includes an organization’s impacts on nature, dependencies on nature, as well as the financial risks and opportunities resulting from these impacts and dependencies. Precise definitions of each of these components are provided below.

- **Impacts:** We recommend the TNFD adopts the definition of impacts offered by the Science-Based Target Network (SBTN): “positive or negative contributions of a company or other actor toward the state of nature, including pollution of air, water, soil; fragmentation or disruption of ecosystems’ and habitats for [human and] non-human species; alteration of ecosystem regimes.”

- **Dependencies:** We recommend the TNFD adopts the definition of dependencies offered by the SBTN: “aspects of nature’s contributions to people [ecosystem services] that a person or organisation relies on to function, including water flow and quality regulation; regulation of hazards like fires and floods; pollination; carbon sequestration.” Note that the impacts of one business or sector on nature can generate significant financial risk for other businesses or sectors through their dependencies on nature. These risks may impact virtually all market participants and sectors of society.

- **Nature-related financial risks and opportunities:** All financial risks and opportunities to the organisation as a result of impacts and/or dependencies on nature. This includes but is not limited to financial loss resulting from negative impacts on nature, through regulation, market access or otherwise, and the costs stemming from the loss of certain species, genetic variety and/or key ecosystem services on which the organisation depends. A full analysis of impacts and dependencies can also present opportunities, such as the potential financial benefits resulting from positive impacts on nature or the strengthening of nature on which the organisation depends. The TNFD should give early consideration to developing clear definitions of nature-related financial risks, which at a high level can be classified into two broad categories, which aligns with the approach taken by the TCFD:

  - **Nature-related physical risks and opportunities:** Physical risks resulting from nature loss can be categorized as event driven (acute), or longer-term shifts (chronic) in the way in which natural ecosystems function—or cease to function. Physical risks may have financial implications for organisations, such as direct damage to assets, the loss of (local and regional) ecosystem services crucial to production processes or employee well-being, and indirect impacts from supply chain disruption. These risks may also have financial and non-financial implications for other parties, such as the loss of global ecosystem services crucial to human well-being. Examples include local and regional financial losses in the agricultural sector from reduced pollination from insects, and global financial losses in the medicine. Physical opportunities may also have financial implications for organisations, such as increased resilience of business production processes or demand.
Nature-related transition risks and opportunities: Transitioning to a nature-positive economy may entail extensive policy, legal, technology, and market changes. Transition risks resulting from nature may occur when businesses suffer financially due to changes that penalize the negative impact they have on nature, including reputation, compliance, and liability or litigation risks. In some cases, this may result in an asset becoming unprofitable and “stranded”. Transition opportunities may occur when businesses benefit financially due to changes in market preferences/demands that reward the positive impact they have on nature. Economy-wide impacts on nature, commitment frameworks such as the Science-based Target Network (SBTN), and international frameworks such as the CBD’s Post-2020 Global Biodiversity Framework will all inform credible future nature-related goals. In turn, these frameworks goals will define the changes that may need to be made and hence, the drivers of transition risk. In this way, impacts on nature can create material financial risks in the future, even if they are not financially material today. Digitalization has also accelerated citizen engagement in financial decision-making by providing citizens both access to the impact of their investments as well as a platform to voice their demands. If this trend continues, citizen (and hence consumer and employee) responses to an organisation’s impact on nature may become more pronounced and immediate, becoming an important driver of transition risk and opportunity.

Organisations should follow a scientifically anchored approach to identify which impacts, dependencies, financial risks and opportunities are relevant to their business practices and/or financing activities. Examples include the initial guidance for businesses from SBTN on setting science-based targets for nature and IUCN’s recently published guidelines for planning and monitoring corporate biodiversity performance. The guidance divides the five main pressures on nature loss identified by Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) into more specific drivers of nature loss. Organisations could use the SBTN sector-level materiality assessment to identify which of these drivers of nature loss are relevant to their business practices and/or financing activities, and hence which could indicate relevant impacts and dependencies.

Nature-related systemic risks: In addition to the financial risks to the organisation itself, impacts and dependencies across the economy can create nature-related systemic risk. Systemic risks can refer to (i) the risk that a critical natural system no longer functions properly; (ii) risks that arise at portfolio-level (rather than at organisation or transaction-level) of a financial institution; and (iii) a risk to system-wide financial stability. Reporting entities should be required to consider (i) and (ii) within their assessment of nature-related risks (these are subsets of physical and transition risk). Reporting entities should not be required to assess and report on (iii) although the TNFD itself should consider risks to system-wide financial stability. Nature-related risks to system-wide financial stability are of particular importance for macroprudential authorities, typically economy-wide (often global), and lead to significant impacts across all industries simultaneously. The risk that a critical natural system no longer functions properly can refer to “tipping points”, after which ecosystems may collapse beyond the point of repair.
Proposed Outputs and Role

The TNFD will produce the following outputs over the coming two-year period:

1. **Series of definitions concerning nature-related risks and opportunities:** The TNFD will provide clear, precise and scientifically-anchored definitions of impacts, dependencies, and the financial risks and opportunities resulting from these impacts and dependencies, supported by consensus across engaged TNFD stakeholders, and for use by non-financial companies and financial institutions. The definitions provided in the previous section should be considered and adjusted by the Taskforce when launched. In doing so, the TNFD will focus on ensuring alignment of definitions between reporting frameworks and standards.

2. **Stakeholder landscape:** The TNFD will produce a landscape assessment that demonstrates the position and role of the TNFD relative to other stakeholders relevant to identification, assessment, disclosure and management of nature-related risks and opportunities. This will include frameworks, standard setters, regulators and relevant initiatives in the nature-finance space such as those advancing target-setting.

3. **User principles:** The TNFD will produce a set of principles to help users understand how to adapt the TNFD framework to the context of their organisation. The Taskforce when launched should assess whether such principles should vary across industries or regions.

4. **Classification system for nature-related risks and opportunities by industry:** Drawing from the existing evidence and frameworks (including but not limited to work by ENCORE, SASB, WEF and DNB\(^\text{xiv}\)), the TNFD will provide a typology of impacts on nature, dependencies on nature, and the financial risks and opportunities resulting from these impacts and dependencies, organized by industry.

5. **Staged framework for disclosure:** The TNFD will define the metrics and information reporting entities are required to report within TNFD-aligned reporting.\(^\text{xv}\) The focus will be to identify a finite number of metrics that are meaningful to corporates, financial institutions and broader stakeholders. Requirements will be organized across three progressive stages of sophistication, allowing for flexibility in implementation. This draws from the iterative approaches described in the Natural Capital Protocol and BS 8632 Natural Capital Accounting for Organisations.\(^\text{xvi}\)

6. **Detailed implementation guidance:** The TNFD will produce more detailed technical guidance for reporting entities on how to fulfil the requirements of the framework for example, guidance on metrics, what types of data can be used, example responses, and how to prioritize. Financial institutions this guidance will cover any differences in how data from third party data sources should be used relative to data from corporate disclosure. The TNFD will also provide broader guidance on how to identify, assess and manage nature-related risks and opportunities, and will support other actors to develop frameworks and standards in these areas. In addition to guidance, the TNFD will support and encourage other organisations to undertake capacity building for reporting entities to assist them in implementing TNFD-aligned reporting. The detailed implementation guidance will also discuss how organisations can use scenario analysis to estimate their nature-related financial risks and oppor-
This will focus on scenarios that define both end-goals and sectoral pathways, to be further defined by the Taskforce. The TNFD must adopt and consider the outcomes of the CBD process (among others) as they emerge, and they must be considered in the construction of scenarios. This must also consider the way in which the climate and nature transitions will. The TNFD will support consensus-building between non-financial companies, financial institutions, policy makers and the scientific community on how scenarios should be used. The TNFD will engage third parties undertaking scenario development to ensure these align with TNFD guidance, but not develop scenarios itself.

7. **Piloting opportunities:** Informed by a draft framework for corporates to report to investors on their nature-related risks, refined and agreed upon through a testing process a draft TNFD reporting framework will be tested with financial institutions and corporates, in close collaboration with relevant financial regulators. TNFD will engage with broader market participants: to ensure that the TNFD recommendations are decision useful, implementable by market participants so will be widely consulted and piloted throughout the programme, anticipating much broader engagement than the immediate. The testing will be coordinated by UNEP FI, the testing by data developers will be coordinated by a business platform organisation, such as the WBCSD and others to include SME inclusion.

Beyond the outputs discussed above, the TFND will also have a role in engaging other actors to accelerate uptake and use of the TNFD framework. Two of the most critical stakeholder groups are listed below as an example, though there are many more:

**Engage with standard-setting bodies:** Alongside promoting voluntary uptake, the TNFD will engage with relevant standard-setting bodies to ensure that, as standards are produced and embedded in mandatory reporting requirements, TNFD-aligned data requirements and reporting are incorporated. The TNFD will seek to input to standards and frameworks that currently exist. Where possible, the TNFD will propose alignment of definitions, rather than the creation of new definitions and typologies, between TNFD and existing reporting frameworks and standards so as to reduce the overall reporting burden.

**Engage with data providers:** The TNFD recognizes the need to engage with both the data and analytic communities in addition to reporting entities to support the implementation of its framework. The TNFD framework will generate increased demand for use, interpretation and improvement of existing data, as well as new data not currently readily available. The TNFD will engage data providers, platforms and downstream data service providers as well as non-financial corporates in a coordinated fashion to encourage the development of the data infrastructure required to meet its framework. This includes encouraging the development of new data, standardizing data, and making data more accessible, which could include encouraging others to develop data platforms and guidance on how to collect and manage relevant data. This necessitates that the TNFD itself should have sufficient technical capacity and knowledge to understand the data requirements and broader data developments needed.
The TNFD Work Plan consists of 5 phases: build, test, consult, disseminate and market uptake. A preparatory phase termed phase 0 (zero) includes the guidance of the Informal Working Group, the launch of the TNFD and preparatory studies and piloting to set up the TNFD Framework for success.

**Figure 2: Development phases of TNFD Framework**

<table>
<thead>
<tr>
<th>Phase 0 Prepare</th>
<th>Launch of the TNFD: this includes a Market Readiness study of 15-20 financial institutions, a resource mapping study of existing tools, and beginning the ITEG-suggested phased priority sector approach.</th>
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<tr>
<td>Phase 1 Build</td>
<td>Building the draft framework: refine the purpose, objective, output and outcome of the TNFD, and develop the draft framework and recommendations. Technical work includes that on data stacks, scenarios, and the climate-nature nexus.</td>
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<tr>
<td>Phase 2 Test</td>
<td>During the testing process a draft TNFD reporting framework and recommendations will be tested with FIs and companies, in close collaboration with relevant financial regulators.</td>
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<td>Phase 3 Consult</td>
<td>Draft framework launch: The draft Framework report will be edited in response to consultation feedback and launched on the TNFD website. Consultations: to help to facilitate widespread adoption in relevant sectors and geographies.</td>
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<td>Phase 4 Disseminate</td>
<td>TNFD full launch and promotion: An internal and external communications plan across the project to determine when and how key milestones will be communicated and supported TNFD launch recommendations.</td>
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<td>Phase 5 Uptake</td>
<td>With agility, a client focussed and ‘learning by doing’ at its heart, TNFD will continue to iterate providing #NextGen detailed guidance in the coming years on risk management, scenario analysis and more to help the market action the framework. Deep global uptake will be supported through targeted sectoral and geographic events with, stakeholders, members and targeted research across all phases.</td>
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**Phase 0: Prepare & Launch TNFD**

Preparation for the TNFD began in September 2020. This phase consists of 3 elements: the deep research and experience that has framed the recommendations of the 75-strong Informal Working Group for TNFD, the launch of TNFD in the second half of 2021, and a proof of concept pilot along with a market readiness study which together assesses the practical considerations as well as current state of metrics, data, risk management, stress testing, tools and key practices to inform decisions on nature-related risks and dependencies across the private and public sector in the building phase of the framework.

**Phase 1: Build**

During this phase, TNFD members will draft a practical Framework, using a data-centric, sectoral and staged approach to ensure it is actionable, accessible and built on cutting edge research and innovation from all regions. The Framework should be fully aligned with the TNFD Principles and Scope and build on the Market Readiness Study and the proof of concept pilot.

*Figure 3: Overview of the TNFD Framework elements*

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<th>Proposed Sectors</th>
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<td>Data and Metrics</td>
<td>Reporting Standards</td>
<td>Scenarios</td>
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<td>The TNFD will engage data providers, platforms and downstream data service providers to encourage the development of the data infrastructure required to meet its framework.</td>
<td>A comparison of existing reporting standards of impacts, dependencies and opportunities</td>
<td>Assess forward-looking nature scenarios by industry based on appropriate goals, pathways, models and data</td>
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<th>Tiers</th>
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<td>1. Basic</td>
<td>2. Intermediary</td>
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See figure 3 alongside for the key elements TNFD will consider when developing the Framework. Following the launch of the TNFD Framework in 2023, scenario analysis co-created with leading partners will encourage broader and deeper uptake. The building of the TNFD Framework will be led by the market i.e. corporates and financial institutions. It will be supported by additional stakeholders, at the request of TNFD members, such as: standards organisations, regulators, data providers, NGOs, research organisations etc. The building stage includes developing a draft disclosure framework (or elements of a framework that could be adopted by other frameworks—the term ‘reporting framework’ should be read from this definition) and recommendations on steps for testing and consulting the Framework along with user surveys for feedback.

**Phase 2: Test**

The draft TNFD Framework will be tested with financial institutions and corporates, in close collaboration with relevant financial regulators. Balanced representation across geographies from banks, investors, insurers, public finance institutions and corporates will be sought from high impact and high dependency sectors. The Framework is expected to be tested in 20 emerging markets, in addition to the pilots in developed capital markets. The draft TNFD Framework will be revised in response to the piloting.

**Phase 3: Consult**

The TNFD Secretariat will conduct a consultation on the second draft of the Framework informed by the piloting experiences in Phase 2. The consultation should help to facilitate widespread adoption of the Framework in relevant sectors and geographies, even beyond those represented in the testing phase, via strategic external consultations with a balanced range of: financial regulators, data preparers and data users on how each can assess and disclose nature-related risks to support nature positive global financial flows. The consultation will also help actively build on recommended tools, measurement systems and reporting protocols among FIs, corporates and public authorities.
Phase 4: Disseminate

The TNFD Framework is expected to be launched during the second half of 2023 for global dissemination and initial uptake. It will be supported by strategic advocacy campaigns and in addition to increasing awareness, will also provide assistance for its application and wider uptake by partnering with leading thinkers and doers.

- **Launch TNFD Framework**: Across geographies via key events, with support from governments, financial regulators and standard-setting bodies
- **Promote & Advocate Adoption**: An internal and external communications plan will be executed to position and embed TNFD in the financial and corporate ecosystem.

Phase 5: Uptake & Next Steps | September 2023 – onwards

The development and launch of the TNFD Framework over 2 years will be the first step in assessing approaches for physical and transition risks and opportunities. It would inform methodologies that are adaptable and flexible to financial institutions and corporates across geographies and that would promote consistency and comparability. It is expected that more detailed guidance will follow after 2023 including practical approaches for evaluating these risks using nature scenario analyses supported by technical partners from nature modelers to nature risk experts. With agility, a client-focus and ‘learning by doing’ at its heart, TNFD will continue to iterate providing next generation guidance in the coming years on risk management, scenario analysis and more to help the market action the Framework. Deep global uptake will be supported through targeted sectoral and balanced geographic events, stakeholders, members and research across all phases.
The Taskforce on Nature-related Financial Disclosure (TNFD) incorporates the input and guidance of a growing movement of experts. The work of the TNFD has been supported until now by the 75-strong Informal Working Group (IWG), representing some of the world’s biggest banks, investors and companies with an AUM value of over US$ 8.5 trillion, as well as governments and regulatory bodies. The governance structure of the TNFD will include Chair/s, a Secretariat, a Membership Group, a Stewardship Group and a Stakeholder Group. Figure 4 provides an overview of this structure.

Figure 4: Overview of the proposed TNFD governance structure
Members

The Taskforce will consist of 30 members from industry, with an equal representation of financial and “real economy” corporates from the global North and South. Given the focus on disclosure, rating agencies and reporting/accounting firms as well as data providers may be included as members. Members are selected in their personal capacity, in accordance with the selection criteria and also taking into account the competences needed for the development of the TNFD Framework, as well as the sectorial, geographical and gender balance. Members will meet regularly in plenary, approximately every 6 weeks, and also be asked to actively participate in at least one Working Group, which are organized to enable a well-prepared delivery of the TNFD goal and work plan.

Secretariat

The TNFD Secretariat will work under the oversight of the Co-Chairs. The Secretariat will be led by an Executive Director and staffed with a team of full-time experts on drafting of disclosure requirements, member engagement, project management and communications, and bring in part time expertise as needed to accelerate the deliverables of the TNFD outlined in the work plan. The Secretariat will support the work of the Co-Chairs, coordinate the working groups, manage the day-to-day work and maintain regular contacts with Members and other TNFD contributors. The Secretariat’s institutional host or hosting arrangement(s) will be formalized by the IWG Steering Committee before the launch of the TNFD.

Technical Research Group

The TRG will provide independent expertise and technical advice to the TNFD Working Groups upon their request, primarily acting as a distributed virtual hub that delivers the scientific and technical expertise needed to realise the TNFD goal. The TRG will be overseen and deployed by the Technical Director—a core member of the TNFD Secretariat.

Stewardship Group

The Stewardship Group consists of the founding TNFD partners (Global Canopy, UNDP, UNEP FI and WWF) and can include representatives from major donors. In addition to these members, some international organisations or networks such as relevant financial regulators or standard-setting might be invited to join the Stewardship group. The Stewardship Group supports the Co-Chairs, provides technical support, helps guide core decisions to ensure alignment with TNFD principles and can call on the Stakeholder Group in specific cases if the Co-Chairs deviate from the TNFD goal on important topics captured in the TNFD Principles.

Stakeholder Group

The Stakeholder Group bring together a wide range of stakeholders (e.g. financial institutions, corporates, service and data providers, governments, regulators, multilaterals, financial and business consortia, NGOs, think tanks, research organisations) that take an interest in the TNFD and have invested time in bringing it to life or creating an enabling ecosystem for it to flourish. Any stakeholder with an interest to follow the developments for the TNFD Framework, and contribute to it as needed, are invited to join this group, unless they represent a significant conflict of interest or reputational risk for the TNFD.
TNFD Resourcing and Communication

The resourcing target set for TNFD’s workplan (mid-2021 until mid-2023) is US$ 15 million. To date, approximately 8% has been contracted, 78% is under proposal or discussion from a wide variety of donors (governments, UN agencies, philanthropic organisations). The remaining 14% will be sought largely through in-kind support from the private sector. This will be for secondments or pro-bono internal or external research, testing and dissemination by the finance sector and corporations. We expect that the level of in-kind support for TNFD will exceed the 14% above, and this will enable the Taskforce to extend its reach worldwide, beyond what is currently predicted in the workplan.

The TNFD communication objective is to contribute to mobilising strong commitments across sectors and geographies for the TNFD Framework that will, in turn, drive widespread uptake of the Framework and support from ‘the market’. This includes developing compelling communication around the ambitious and coherent vision, scope and actions for the TNFD. TNFD communications will need to build on the work prepared during the IWG phase and finalize a communications strategy that includes identification of the key messages for the different ‘audiences’ for TNFD, focus on communicating to the primary audience—financial institutions, building communication for corporate audiences and other key stakeholders such as NGOs and civil society and with global media, and internal and external communications approaches and actions.
Acknowledgement

The TNFD Blueprint has been powered by the expertise of the:

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International & Regional Financial Institutions:
AFD: Agence Française de Développement, France
BNDES: Brazilian Development Bank
CAF: Latin American Development Bank
EBRD: European Bank for Reconstruction and Development
EIB: European Investment Bank
IFC: International Finance Corporation
World Bank

Corporates & Private Firms:
BP, UK
EcoAdvisors, Canada
Ernst & Young, UK
GlaxoSmithKline, UK
H&M, Sweden
Iberdrola, Spain
ISS ESG: Institutional Shareholder Services, USA
JBS
Kering
KPMG
Reckitt Benckiser, UK
Rio Tinto
Tesco, UK

Governments, Regulatory & Supervisory Bodies
CNBV: Comisión Nacional Bancaria y de Valores, Mexico
COFEMA, Argentina
Government of France
Government of the Netherlands
Government of Peru
Government of Switzerland
Government of the United Kingdom
RBA: Retirement Benefits Authority, Kenya

Think Tanks & Consortia:
CBD: Convention on Biological Diversity
CDSB: Climate Disclosure Standards Board
CEBDS: Brazilian Business Council for Sustainable Development
CEDAF, Dominican Republic
CIFAL Argentina
Ecoacsa, Spain
FC4S: Financial Centers for Sustainability Finance for Tomorrow
GEF: Global Environment Facility
Green Finance Institute (GFI)
IIF: Institute of International Finance
IIGF: International Institute of Green Finance
OECD: Organisation for Economic Co-operation and Development
PRI: Principles for Responsible Investment
SusCon Japan
SIF: Sustainable Insurance Forum
WBCSD: World Business Council for Sustainable Development
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Note: The views expressed in the TNFD Nature in Scope paper indicative of the views of members of the Informal Working Group for the Taskforce on Nature-related Financial Disclosures (IWG TNFD), supported by the Partner Group. They are presented from the informal preparatory process as recommendations to the incoming Taskforce and its co-Chairs. The use of logos and/or the feedback provided by these organisations does not necessarily represent an endorsement or investment recommendation and does not reflect any policies or positions of the organisations.

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End notes:

i. There has been much discussion of how to incorporate an organisation's impact on the environment in debate around environmental risks and opportunities including financial institutions such as DWS; standard-setting bodies such as SASB; intergovernmental organisations such as the OECD and European Commission; and central banks and financial supervisors including the Network for Greening the Financial System (NGFS).

ii. CBD: BIODIVERSITY AND THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT and 2050 Vision


iv. Examples of data service providers include S&P Global and Bloomberg. Examples of public accounts include publicly held company records, land registries and other datasets.


vi. SCIENCE-BASED TARGETS for NATURE (2020): Initial Guidance for Business

vii. IPBES defines “nature's contribution to people” (NCP) as “all the contributions, both positive and negative, of living nature (i.e. diversity of organisms, ecosystems, and their associated ecological and evolutionary processes) to the quality of life for people. Beneficial contributions from nature include such things as food provision, water purification, flood control, and artistic inspiration, whereas detrimental contributions include disease transmission and predation that damages people or their assets. Many NCP may be perceived as benefits or detriments depending on the cultural, temporal or spatial context.”

viii. SCIENCE-BASED TARGETS for NATURE (2020): Initial Guidance for Business

ix. TCFD (2017): Recommendations of the Task Force on Climate-related Financial Disclosures

x. The normative framing of the TNFD’s work, including but not limited to the definition of “nature-positive”, will be informed by inter-governmental and international agreements.


xii. The five IPBES pressures on nature loss are (i) land/sea/water use change; (ii) resource exploitation; (iii) climate change; (iv) pollution; and (v) invasives and other.

xiii. Please see the discussion of systemic risk in Annex I for a description of how these risks can materialize.

While the specific requirements of the TNFD framework will be determined by the Taskforce after its launch, examples of such requirements could include answers to the following questions: (i) How is nature dealt with at Board level? (ii) What governance or process is in place to manage nature-related impacts, dependencies, risks and opportunities? (iii) What policies exist to manage nature-related impacts, dependencies, risks and opportunities? (iv) What strategic or operational plan exists to manage nature-related impacts, dependencies, risks and opportunities?

Broader guidance on how to manage nature-related financial risks and opportunities is likely to offer practical actions that non-financial companies and financial institutions can take to reduce their risks and leverage opportunities.

An end-goal sets a destination point for the scenario, typically defined by a small set of metrics. A sectoral pathway describes the transformation over time of a given sector, usually linked to changes in production processes and technology adoption. In the context of nature-related scenarios, the latter will consider transformation across the full value chain.

It will also draw from the wider ecosystem of relevant frameworks and standards including but not limited to ISO standards, The Natural Capital Protocol, The Economics of Ecosystems and Biodiversity (TEEB), the British Standards Institute, and the Global Footprint Network.