First impressions of TNFD Beta v.03
November 2022

This document captures our initial impressions of TNFD’s third draft, Beta v.03.\(^1\) We will continue to refine our analysis over the coming weeks.\(^2\)

Since May 2022, dozens of civil society organizations from six continents have expressed their profound concerns regarding key aspects of TNFD – including that it will amplify and enable greenwashing. This also includes concern that corporations, UN agencies and others are lobbying for a framework written by a taskforce of global corporations to be written into national law and international frameworks. A collection of civil society open letters to TNFD, blogs and press briefings can be found here. They are in the ‘Timeline and Resources’ section of the Forests & Finance coalition in-depth webpage on TNFD.

If you would like a formal or informal briefing, or guest blog for your organization about our views, concerns and recommendations on TNFD please contact Shona Hawkes at shona@ran.org.

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\(^1\) With many thanks also to Moira Birss from Amazon Watch for her suggestions and input on this analysis.  
\(^2\) Documents related to TNFD’s Beta v.03 release can be found at: https://framework.tnfd.global/downloads/
TNFD’s defines ‘nature-related risks’ as ‘the potential threats posed to an organisation linked to its & other organisations’ dependencies on nature and nature impacts’.
Not risks to nature itself.

As ‘[financially] material’ – Means that the below disclosures only need to cover things which will financially affect a business. If not, it doesn’t need to be reported.

Describe tools used to assess risks – but not the results of those metrics.

TNFD v.03 (new version)

A business’ strategy remains only about managing risks to the business, not the business’ risks to nature or people. TNFD has expanded the definition of nature-related risks but it is still focused on threats to the business. A business does not need to have a strategy to reduce or end its harmful impacts on biodiversity or people.

**Governance**
- Disclose the organisation's governance around nature-related dependencies, impacts, risks & opportunities.

**Strategy**
- Disclose the actual and potential impacts of nature-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material.

**Risk & Impact Management**
- Disclose how the organisation identifies, assesses and manages nature-related dependencies, impacts, risks and opportunities.

**Metrics & Targets**
- Disclose the metrics and targets used to assess and manage relevant nature-related dependencies, impacts, risks and opportunities where such information is material.

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### Recommended Disclosures

**Governance**
- A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.
- B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.

**Strategy**
- A. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.
- B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.
- C. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.
- D. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.

**Risk & Impact Management**
- A. Describe the organisation's processes for assessing nature-related risks and impacts. The organisation has identified over the short, medium, and long term.
- B. Describe the organisation's processes for assessing nature-related risks and impacts. The organisation has identified over the short, medium, and long term.

**Metrics & Targets**
- A. Describe the organisation's processes for assessing nature-related risks and impacts. The organisation has identified over the short, medium, and long term.
- B. Describe the organisation's processes for assessing nature-related risks and impacts. The organisation has identified over the short, medium, and long term.

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**Recommended Tools**

- Describe tools used — but not the results of those metrics.

**Targets**
- Targets now cover impacts. However, without supply or investment chain disclosure business self-reporting is largely unverifiable.

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**NOTE:** The TNFD is developing an adaptable approach to adoption of recommended disclosures that will likely differ between core disclosures that constitute a baseline set of TNFD adherence and additional disclosure recommendations that represent enhanced disclosure.

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A business is asked if they can trace their supply chain. Does not require any disclosure of supply or investment chain. So remains no way to independently assess a business’s claims or verify them. Allowing a company to make claims with no evidence.

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Continues to seek to justify the TNFD failing to adopt its own expert advice that it should be based on double materiality. By legitimizing a ‘core’ standard that doesn’t do so.

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This pillar now covers impacts — but all the disclosures are a business’ self-description. No data points — such as grievance lists or disclosure of Indigenous Peoples’ territories — to allow independent scrutiny of claims.

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Does not require a business to report if it is facing allegations or complaints it is involved in environmental or human rights abuses, or even if it has been fined for illegal practices.

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Does not require a business to report if it is respecting international human rights law. Definition of ‘impacts’ throughout doesn’t include the people who defend nature.
TNFD v.03 – Many of the new additions are not ‘core’

On p.18 of its main report TNFD appears to suggest that the new disclosures will not be seen as core to TNFD but speaks in general terms how ‘over time’ a business will adopt ‘enhanced’ disclosures. But this is far from clear. TNFD, like TCFD, is voluntary – and many businesses adopting TCFD already do not report against its ‘core’ requirements. So not only is the framework falling short in terms of creating reliable accurate report in its full proposed disclosures – it is failing to communicate that the expectation will be that most businesses won’t report on these disclosures. Given the lack of clarity in the text on p.18 we wrote to the TNFD Secretariat to request a clearer explanation on November 10th. As of end of day November 16th we had not received a response.

NOTE: The TNFD is developing an adaptable approach to adoption of recommended disclosures that will likely distinguish between ‘core’ disclosures that constitute a baseline of TNFD adoption and additional disclosure recommendations that represent ‘enhanced’ disclosure.
What is NOT covered under TNFD’s proposal

In the press release, Elizabeth Mrema, TNFD Co-Chair and Executive Secretary, the Convention on Biological Diversity (CBD) noted: “The TNFD framework is evolving in a direction that is well aligned not only with emerging regulatory and standard setting approaches but also with global policy goals currently being negotiated as the Global Biodiversity Framework (GBF). I am confident that the TNFD Framework can be the practical connective tissue between global political commitment to act on nature loss represented by the GBF and the mobilisation of business and finance action through better risk management and capital deployment.”

One of the most effective ways to make harming nature – and the people who protect or defend on it – a business risk, is to write laws that do just that by holding businesses responsible for the harms they cause or contribute to. This focus on legal accountabilities has been a key call of civil society organizations for the GBF. The TNFD framework continues to undercut such laws by either diverting attention away from meaningful legal accountability to business self-reporting (as suggested by Mrema’s statements) or by failing to require alignment with international human rights law.³

Under the TNFD would a company or financial institution:

- Face legal consequences for causing environmental & human rights abuses? **No.**
- Have to give up the profits it made from harmful financing? **No.**
- Have to provide remedy and redress to people or ecosystems harmed? **No.**
- Have to disclose where it is operating, buying from or financing – so that people can know if a company or bank is linked to problems in their area? **No.**
- Have to report complaints or allegations against it of serious environmental or human rights harms? **No.**
- Report where it was linked to illegal practices or fined for illegal practices? **No.**

³ See further the section later in this analysis on the Centrality of human rights vs. ‘engagement of stakeholders’
Even the ‘added extra’ disclosures greenwashing risks abound with ongoing issues of data quality & validity

As outlined in the diagram on page 3 – the TNFD framework continues to focus on business self-reporting of its own performance in a way that cannot be independently scrutinized or verified. **This leaves the TNFD rife for abuse – allowing a company to claim to be a champion of biodiversity in its TNFD reports – without sufficient evidence behind its claims and while being able to hide critical information.**

In Beta v.03 TNFD does **not require** a business to report:

- A grievance list – which records individual complaints and allegations against it for its environmental or human rights practices. This is one of the best ways of checking how a business’ policies and claims line up in practice, and one of the easiest data sources to compile.

- *Where* it is operating, buying from or financing. If there is no-way of knowing *where* a business is operating, there’s no way of checking it’s claims against realities on the ground. Again, leaving the door wide open for greenwashing as is often seen in business self-reporting.

- Its impacts on human rights. Indigenous Peoples steward 80% of the world’s land-based biodiversity and horrifyingly also account for nearly 40% of environmental defenders killed over the last decade. The TNFD states that it wants to explore further Free, Prior and Informed Consent. One of the most significant steps it could take, would be to require businesses to name specifically which Indigenous Peoples’ and their territories may be impacted by its actions.

- If it is lobbying against new laws to protect nature and people.

TNFD has added a new disclosure that requires a business to **discuss** traceability (Risk and Impact, disclosure d) - but does not actually require the public disclosure of data.

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4 At one point, TNFD suggests that the ‘enhanced’ reporting on impacts on nature should also include impacts on people who depend on nature. This appears to take extreme liberties given what its definition of ‘impacts’ is: “Changes in the state of nature, which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative. They can be the result of an organisation’s or another party’s actions and can be direct, indirect or cumulative.” This does not in anyway clearly state a business has human rights obligations under international law that must be met.

5 In its priorities for action, TNFD states it will focus on the ‘principle’ of Free, Prior and Informed Consent. In its social dimensions paper it refers to Indigenous Peoples’ rights including the right to FPIC. So it’s not clear here if it is wrongly referring to Indigenous Peoples’ rights to FPIC as a ‘principle’ or if it is intending to refer to FPIC as a right of Indigenous Peoples, and a broader principle for other affected communities.
It’s critical that the TNFD address these fundamental issues of requiring public evidence that can be independently scrutinized – to ensure that businesses are not able to make claims that are not supported by fact. There is already an extensive body of research and investigations that show where evidence is not required businesses routinely fail to disclose their real environmental and human rights impacts.

TNFD needs to require reporting of grievance lists, the location of its operations, supply chain and investment chain, related human rights impacts in its core disclosures, as well as reporting requirements on lobbying. TNFD notes that it is ‘exploring’ if it should try to align with the UN Guiding Principles and OECD Guidelines – but does not outline how it will explore this or who it will involve.

Still no double materiality

The TNFD openly acknowledges in Beta v0.3 that its ‘enterprise value’ approach in versions 1 & 2 contravened the approach recommended in the June 2021 ‘Nature in Scope’ paper that TNFD should be focused on double materiality. That is, not just focused on the impacts to business of the biodiversity crisis, but the impact on nature itself. Without looking too closely, Beta v.03 can give the impression of taking a step towards double materiality – by adding the word ‘impact’ into the framework at various points - but the devil is in the detail.

The only example we have of what TNFD proposes its disclosures would look like is from the Salmon Fresco case study (following page). This appears to follow the ‘core’ TNFD requirements – i.e. those that businesses are expected to adopt (not the ‘enhanced’ disclosures). This is an example of how only the ‘core’ reporting will be emphasized by TNFD.
The TNFD has released an ‘Aquaculture case study’ which gives a hypothetical background example of a company’s current operations and practices - and then presents the above box to describe what would be disclosed under the TNFD framework. The disclosures discuss the metrics the company uses - but not what it has found by using those metrics. It states that it will develop ‘targets’ - but not whether it has failed to meet previous targets. (Deep concerns have already been raised about target setting initiatives). It appears that the report would state how it has met with rights-holders to inform its overall assessments. However, the report does not let us know if communities, media investigations or environmental organizations have made complaints or allegations against the company - for example, its environmental impacts, animal cruelty or human rights impacts such as if Salmon Fresco is displacing local small-scale sustainable fishing. The company self-describes its ‘interactions with low integrity/high importance ecosystems’. The company has said that it will ask its third-party suppliers to let it know where the fish supplied comes from (which Salmon Fresco should have been doing anyway to ensure it was not trading in products produced illegally.) However, because the
company does not need to disclose supply chain data under the TNFD framework workers or others raising the alarm about problematic fisheries wouldn’t even know that Salmon Fresco is buying from them. In short, off the basis of this report alone it is extremely difficult to reliably distinguish what Salmon Fresco’s real-world impacts are.

It then refers to how a ‘user’ of this report information may consider it in their own disclosures.

Box 12: Perspective of a report user

Finance4Life, a private equity investment fund managing funds provided by a range of global institutional investors including pension funds and sovereign wealth funds, wants to expand its investments into food production industries. It has focused on aquaculture as a high-growth industry with products sold globally. Finance4Life also wants to set a nature-related target and is conscious of its need to make investments in the aquaculture industry that align with its nature ambitions. In reviewing the salmon aquaculture sector, it has noted that certification provides initial assurances about the nature-risk mitigation of certain companies. Salmon Fresco’s TNFD disclosure helps to define its approach to nature-risk mitigation even further and informs Finance4Life about the extent of Salmon Fresco’s risk mitigation and activities that mitigate negative impacts.

This description is problematic for two reasons. Firstly, it implicitly appears to suggest that Finance4Life checking for certification and reading a company’s self-report is sufficient due diligence. While certification can form part of a business’ due diligence, certification in and of itself is often highly problematic and far from a guarantee that a business is acting ethically, or even legally. A company’s self-reports are also hardly an objective source of information. Salmon Fresco’s key business is salmon fishing in Chile – an industry already subject to a number of media exposes, including that companies operating in Chile are using environmentally harmful practices that would not be accepted in other jurisdictions and that industrial salmon fishing has displaced small-scale local fisheries. (We also have no way of knowing if Salmon Fresco itself is lobbying the government against adopting stronger standards). Secondly, is the suggestion that the Salmon Fresco report ‘informs Finance4Life about the extent of Salmon Fresco’s risk mitigation and activities that mitigate negative impacts’. However, the Salmon Fresco report misses fundamental information of what its risks and impacts are. It does not tell us: Is it facing complaints about its human rights and environmental practices? Has it been fined by regulators for non-compliance? Is it lobbying against stronger laws to protect nature? Do people affected by its operations or sourcing even know the name of the company involved?

These examples appear to suggest an extremely low bar in terms of what is expected from a report under the core TNFD framework.

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6 https://www.greenpeace.org/international/publication/46812/destruction-certified/
The disclosure guidance for financial institutions and illustrative metrics is also insightful. Based on a first look, this appears extremely unlikely to yield any actionable or useful information on what a financial institution’s actual exposures are – only what it says they are.

The core detail of what the TNFD will actually require in terms of disclosure metrics will not be formulated until v.04.

p.43: The TNFD has revised its definition of ‘nature-related risks’. ‘Nature-related risks: Potential threats posed to an organisation linked to their and wider society’s dependencies on nature and nature impacts. These can derive from physical, transition and systemic risks.’ [emphasis added] TNFD states that this language has been ‘Updated to recognise that nature-related risks can affect other organisations, not only the organisation concerned, and that wider societal dependencies and impacts on nature are relevant’. However, this definition remains focused on the threats to an organisation – not its threats to nature.

The TNFD has incorporated some language on impacts in Beta v.03. The definition of nature impacts provided in Beta v.01 p.87 is: “Changes in the state of nature, which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative. They can be the result of an organization’s or another party’s actions and can be direct, indirect or cumulative”. Omitting ‘impacts’ from the strategy section and the definition of nature-related risks not covering impacts - means that there is no clear requirement for a business to report on potential or planned impacts.

The TNFD notes that it will explore a ‘core’ or ‘enhanced’ TNFD framework in v.04 – with the enhanced allowing for ‘double materiality’. What this does is lock-in and legitimize its low bar of ‘core’ requirements and failure to adopt its own technical expert advice. The TNFD appears to think that double materiality is either a moral issue (a higher standard only adopted in certain jurisdictions) or an onerous requirement. (Also – as noted in various submissions to the ISSB – it is actually much easier for a business to know its impacts on nature, than to try to second guess if or how they may translate into financial risk.) Yet, as discussed in this analysis – double materiality is critical to ensure that there is an evidence base behind a company’s claims, and avoid the use of the TNFD framework as a tool for unabashed greenwashing.

Additionally, many of the measures that would apply even as ‘enhanced’ disclosures’ do not provide reliable, verifiable information on impacts. For example, a new disclosure in v.03 on traceability requires a business to report whether it can trace its value chain – but it doesn’t require the business to show its supply chain or investment chain. Given that Sourcemap estimate that 15-20% of raw material transactions are fraudulent, this makes it virtually impossible to know whether a business truly knows it value chain or if it is accepting fraudulent disclosures.

It is extremely unhelpful that the TNFD continues to have blanket statements about ‘data accessibility’ without any critical analysis. For example, so long as companies and financial institutions continue to offer their money and business to companies operating in high-risk industries without contractually requiring basic data – they can hardly be surprised that companies will not volunteer this
information. Global Witness cites how this ‘data’ argument is frequently exploited by banks. The TNFD appears to have put a lot of focus on in-depth biodiversity data – without first focusing on easier to compile information. For example, if a business itself has been alerted to allegations, complaints or concerns.

**Strategy**
Under neither the ‘core’ nor the additional ‘enhanced’ disclosures is a business required to describe a strategy to reduce or end its harms to biodiversity and people. Under the metrics section, it will refer to setting ‘targets’ – but it doesn’t appear to have to describe the strategy to achieve them.

**Centrality of human rights vs. ‘engagement of stakeholders’**
Under the UN Guiding Principles on Business and Human Rights businesses have an obligation to respect human rights. TNFD v.03 has incorporated a new disclosure on ‘stakeholder engagement’. This is likely in response to significant pushback over its undermining of human rights – which is a key call of frontline defenders, is an entire body of international law, and also integrated into at least 20 of the most prominent standards for high-risk industries of biodiversity harms. The suggestion is that human rights will be explored further in ‘guidance’ – which a company can choose to follow or ignore, rather than this being a core disclosure. Nor have human rights been incorporated into the definition of ‘impacts’.

*Clear, meaningful human rights provisions need to be written into a key disclosure of TNFD. It is also critical that TNFD does not consider ‘rights holders’ as simply one type of ‘stakeholder’ – but those who have rights under international law that must be respected. Objectively, the language of ‘engagement’ means very little – making it again, rife for business’ to talk-up their positive work and ignore outstanding complaints. It is particularly concerning that UN agencies closely involved with TNFD have not insisted on a rights-based approach. TNFD appears to want to house human rights issues in a ‘guidance’ under the ‘stakeholder engagement’ disclosure.*

*It is also imperative that TNFD’s disclosures require a business to disclose if it has been subject to complaints over human rights or environmental concerns, to publish a grievance list and disclose if it has a grievance mechanism.*

**Guidance**
In its ‘priority areas’ TNFD identifies that it will be issuing a series of guidances. It notes that it is consulting with ‘experts’ – although leading civil society organizations that have been at the forefront of pressing for stronger industry standards in many of these areas are not even aware that this process is happening.

This includes for Agriculture and food; Fishing and aquaculture; Forestry, paper and pulp; mining and metals; Energy (oil and gas, and renewable energy); and the tropical forest biome.
We will need additional time to analyze the financial sector guidance and illustrative metrics. However, to note for now, the paper emphasizes caveats of ‘client confidentiality’ which are essentially a loophole for financial institutions not to report on their environmental and human rights harms – by a bank failing to write consent to be disclosed as a client of the bank as a contract condition. For example, as discussed by BankTrack, Oxfam and Global Witness. Many banks already request client consent for disclosure of very detailed information on deals to financial sector databases – accessible to anyone willing to pay the tens of thousands of dollars for a subscription. For example, such databases are a source of data for the public Forests & Finance coalition dataset. It has also been shown, time and again, that such disclosure is not a commercial risk – with the Equator Principles adopting recommendations on disclosure almost a decade ago. While the guidance is meant to cover asset managers – it appears to say nothing on voting record, nor does it mention examples like exit lists, exclusion lists, complaints etc.

‘Net’ reporting
p. 28 summary of feedback document notes: “The TNFD recognises that impacts on nature can be negative and/or positive. As part of evaluating their dependencies and impacts on nature, the TNFD proposes that organisations should evaluate their negative impacts, impact mitigation (reducing negative impacts on nature) and positive impacts. These should be assessed, measured and, if relevant, disclosed separately.”

It’s not definitively clear if this only applies to LEAP evaluations as this may leave the door open for so-called ‘net’ reporting of disclosures of those not using LEAP. The financial institutions guidance paper at one point does refer to the need to differentiate positive or negative impacts.

TNFD’s disclosure framework needs to definitively state that it will not accept ‘net’ disclosures but require separate ‘positive’ and ‘negative’ reporting. This is a basic requirement to avoid greenwashing, where businesses suggest that specific harms to one localized ecosystem can be falsely ‘offset’ by tree planting in another.

Additional points:
TNFD and Science-based Targets Network
A discussion paper notes how TNFD and SBTN will develop together. SBTN faces many of the same legitimacy issues as TNFD – and its network council includes many of the same groups closely involved in TNFD. It fails, for example, to incorporate anyone with human rights expertise, fails on Global South representation, doesn’t include Indigenous Peoples etc.

Consultation
The TNFD still continues to rely on its closed-door ‘TNFD Forum’ as the basis of consultation. To join the forum requires an individual or organization to sign a form stating that they publicly support TNFD’s mission and then be publicly named on its website. This delegitimizes the rights of groups who are still forming an opinion on the TNFD to take part, or groups who may be outright critical of
the TNFD but wish to take part in consultations in order to press for improvements – and alert others in consultations to their concerns. The TNFD does not disclose, for example, who the members of national consultation working groups are.

There is no public information on when, how or where Indigenous Peoples’ can take part in consultations – nor any documentation of the feedback that they have provided or the process of consultation. Many groups who work closely with Indigenous Peoples’ have raised this with the TNFD. This in addition to language and technological barriers, as well as a communications strategy that fails to make TNFD easily understandable or accessible.

The TNFD notes that it is consulting with global civil society organizations. To be clear, Rainforest Action Network and other groups we have been working with – have been extremely clear that our groups cannot and do not provide a full or diverse reflection of civil society working on nature issues and that it is imperative that the TNFD address its failure to include civil society voices.

TNFD does note that for consultation on v.04 (but not on v.03) submissions will be made public. This will allow the public and others to scrutinize who has taken part in the TNFD process, what they have said, and whether the TNFD has responded to this. This very minimum requirement should have been in place from the outset.

TNFD has committed to providing sample reports of what a TNFD disclosure could look like – but only in v.04. Currently TNFD is largely inaccessible to anyone not spending hours pouring through technical documents. If done adequately, this should include a range of reports, across a range of realms and types of businesses – allowing people to more easily see what TNFD is proposing.

**Testing the TNFD disclosure framework against real-world case studies**

The TNFD ‘invites’ NGOs interested in essentially testing what the TNFD framework would mean in real-world cases (to see, for example, if it would capture key information about cases involving environmental harms or lead a company to act differently or not). This is extremely inappropriate. If TNFD is to take this seriously – it needs to be pro-actively taking this model forward, resourcing it, making it as easy as possible to take part. Particularly given that TNFD has already resourced 130 pilots for companies.

The failure of TNFD to actually test whether its framework would lead a company to act differently, or capture core information about a company’s potential or actual environmental and human rights harms, is an extreme oversight. In our view, the TNFD’s views about its capacity to shift financial flows is not backed up by evidence – and it’s imperative that TNFD undertake these kinds of real-world case study testing. RAN’s feedback to the TNFD on v.01 for example, presented several case studies which showed the potential of TNFD for greenwashing without certain recommendations being adopted.

**Scenario discussion paper**

This paper includes 4 scenario examples of potential futures and nature loss. If the NGFS and the TNFD are to develop these four key scenarios further rights-holders and civil society organizations who have been at the forefront of pushing the nature agenda
should be part of this process. As they have often been far ahead of the financial sector or even the academy in foreseeing trends and shifts.

We urge the Network on the Greening of the Financial System, central banks, the TNFD and others to incorporate social experts into discussions around scenario planning.