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How regulators have relinquished their work to corporate executives
Moral Money, FT

The military term "task force" has of late taken on a new lease of life — used to describe groups of corporate and financial executives that draft standards on behalf of their regulators. While the motivation behind these initiatives might appear admirable, they provide real cause for concern, which is receiving far too little attention.
In New York this week, hundreds attended a launch event for the final recommendations of the Taskforce on Nature-Related Financial Disclosures, set up to create a framework that companies will use to report on nature-related risks and impacts, from drought to species loss to deforestation.

In a post on social media site X, the TNFD laid out some key numbers: "40 taskforce members. Holding $20.6tn in assets. 3,400 pieces of feedback analysed."

These numbers are impressive but also troubling. All of the TNFD's 40 members are executives from big corporations and financial institutions, selected more for their employers' economic clout, it seems, than for their expertise in biodiversity.

There's nothing wrong with business executives forming a body to design and lobby for a particular model of reporting standards, or any other sort of regulation. But if that body's output is generally accepted as the global foundation stone for disclosure rules in this space, then there are obvious and serious questions about representation, accountability and conflict of interest.

Is that acceptance by regulators and other stakeholders happening here? It seems to be the aspiration of the TNFD's co-chairs, who are not formally "members" of the body, but have served as its main public faces.

Elizabeth Maruma Mrema — who is also deputy executive director of the UN Environment Programme — has reportedly suggested that governments should require companies to file disclosures using the TNFD framework.

Her fellow co-chair David Craig reiterated that message on Friday, telling me "we're quite optimistic" that regulators will incorporate the TNFD's framework into their corporate reporting requirements, as they did previously with the Task Force on Climate-Related Financial Disclosures. The TCFD's framework for climate-focused reporting, produced in 2017 by a group of 31 financial and corporate executives, has been made mandatory by regulators from London to Tokyo.

While governments have not yet made clear whether they plan to take the same approach to the TNFD, the initiative has received millions of dollars in funding from the Australian, Dutch, French, German, Norwegian, Swiss and UK governments — as well as from the UN, and from charities including the Children's Investment Fund Foundation.

This is money that could have been used to fund a multi-stakeholder body, led by academic experts, civil society and community representatives, regulators and government officials, as well as voices from business and finance.

Craig, previously the founder and chief executive of financial data company Refinitiv, stressed to me that the TNFD had invested considerable time and effort in a consultation process with diverse groups all over the world. He also highlighted the role of the initiative's 19 "knowledge partners": a diverse collection of bodies and associations that contributed various forms of expertise.

But the key decisions on the TNFD's recommendations have been taken by its corporate members, who are strikingly unrepresentative of the global population. For example, while they have worked closely with co-chair Mrema, who is Tanzanian, not one of the TNFD's 40 members is black.

These concerns have not deterred WWF and Global Canopy, two of the world's most prominent environmental nonprofits, from throwing their weight behind the initiative as official "partners".

Other nonprofit groups have been far more critical. Sixty-two organisations in May signed a letter to the TNFD's co-chairs, warning that the initiative was "distracting from, and undermining, real and sustainable solutions".

They highlighted problematic features of the TNFD's early draft recommendations, some of which survive in the final document published on Monday. Notably, the groups — including Rainforest Action Network, Global Witness and Greenpeace — argued that the TNFD's framework cut companies too much slack on their disclosure of nature-related grievances filed against them, and on transparency around the location of their operations and suppliers. Such flaws would facilitate "greenwashing" and hamper efforts to hold companies accountable for damage done to nature, they warned.

The TNFD's co-chairs and members are right to highlight the need for comprehensive reporting on corporate interactions with nature, and their work has helped galvanise movement towards it. But regulators should treat it as one input among many for some serious work of their own, rather than a blueprint for how to proceed.

While it is a valuable, carefully considered contribution to this space, this week's publication by the TNFD should be seen for what it is: a document produced by a group of corporate and financial executives, which must inevitably reflect their interests and priorities. It cannot be a legitimate foundation for a massively important new area of regulation, which will have implications for every person and species on the planet. *(Simon Mundy)*