The Taskforce on Nature-related Financial Disclosures (TNFD)

Shona Hawkes, Rainforest Action Network
Presentation to Third World Network, March 2024
Why do financial institutions keep financing biodiversity destruction & human rights abuses?

[Note: Response given by people in the room was ‘because it is profitable’].
Global Witness (2021) Deforestation Dividends report examined financing from 2016-2020 to 20 agribusiness company groups linked to persistent allegations of forest destruction and/or human rights harms. Financiers provided USD$157 billion. Financial institutions made $1.54 billion in revenue - just from the deforestation-risk linked portion of the financial deal.
Brazil Fines Spanish Bank Santander in Amazon Deforestation

Anz payment to displaced Cambodian families brings landmark human rights case to a close

(Phnom Penh - Wednesday, November 3, 2021) - Cambodian families who were forcibly displaced by Phnom Penh Sugar Company have received a promised payment from Australia’s ANZ bank, which financed the sugar company from 2011-2014. Distribution of the funds, which ANZ agreed to pay in 2020, was complete as of this week, according to Inclusive Development International and Equitable Cambodia, two NGOs that supported the families in their negotiations with the bank and that were tasked with disbursing the funds.

How China’s new complaints procedures can prevent ‘green’ ESG investments from harming local communities

Guidelines now require Chinese banks and insurers to set up grievance mechanisms, which will allow affected communities to speak up - and investors to better address their risks

UN office publishes detailed human rights guidance for banks

NGOs File Complaint Against BNP Paribas

ASIC launches first Court proceedings alleging greenwashing

Published 28 February 2023

PRESS RELEASE

ILlicit Financial Flows

Complaint filed against French banks for money laundering and concealment of proceeds from illegal deforestation in the Amazon

Lords back a new law to prevent the financing of illegal deforestation, ahead of key vote
The Taskforce on Nature-related Financial Disclosure
Common questions from rightsholders & CSOs

How TNFD compares to key priorities of those on the frontline of the biodiversity crisis

Would a company or bank:

• Face **legal consequences** for environmental & human rights abuses? No.

• **Have to give up the profits** it made from harmful activities & financing? No.

• **Have to provide remedy and redress** to people or ecosystems harmed? No.

• 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.

• **Disclose 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**? Mostly no.
Taskforce launch
October 2021

Beta release (v0.1)
March 2022

Beta release (v0.2)
June 2022

Beta release (v0.3)
November 2022

Beta release (v0.4)
March 2023

Recommendations of the TNFD
September 2023

Phase 1: Design and development

Source: TNFD
TNFD video: https://forestsandfinance.org/%20tnfd/
Also available in Spanish and French, and with Bahasa Indonesia and Portuguese sub-titles.

Video produced in December 2023. Some changes on lobbying and tweaks on human rights – but most issues remain in the final September 2024 framework.
### TNFD’s recommended disclosures

**Governance**
- Disclose the organisation’s governance of nature-related dependencies, impacts, risks and opportunities.

**Strategy**
- Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation’s business model, strategy and financial planning where such information is material.

**Risk & Impact management**
- Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.

**Metrics & targets**
- Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

### 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.
- C. Describe the organisation’s human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation’s assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.

**Strategy**
- A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.
- B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation’s business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.
- C. Describe the resilience of the organisation’s strategy to nature-related risks and opportunities, taking into consideration different scenarios.
- D. Disclose the locations of assets and/or activities in the organisation’s direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.

**Risk & Impact management**
- A(i) Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.
- A(ii) Describe the organisation’s processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).

**Metrics & targets**
- A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.
- B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.
- C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.

An ‘TNFD report’ can involve reporting against as few as 1 recommendation and not reporting against the others.
<table>
<thead>
<tr>
<th>Issue</th>
<th>Example of positions that could be adopted</th>
<th>TNFD position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Community’s right to know</td>
<td>Affected communities can know if a reporting company is operating in, sourcing from or financing activities in their area.</td>
<td>X (i.e., TNFD does not recommend reporting: geolocation, supplier lists, exclusion list/investee universe etc.)</td>
</tr>
<tr>
<td>2. Materiality</td>
<td>Double materiality: Businesses disclose their impacts on biodiversity &amp; impacts of nature-related issues on business.</td>
<td>X (Baseline limited to enterprise value/single materiality.)</td>
</tr>
<tr>
<td>3. Claims can be fact-checked on the ground</td>
<td>Public disclosure of datasets &amp; other information allows for TNFD report claims to be independently checked against realities on the ground.</td>
<td>X (Basic positions (i.e., 1, 2, 4) &amp; use of high-level metrics means that most claims reported cannot be independently fact-checked.)</td>
</tr>
<tr>
<td>4. Systemic reporting of complaints</td>
<td>Businesses systematically disclose a list of complaints or allegations (grievance list) it faces on its biodiversity &amp; human rights practices.</td>
<td>X (Taskforce members faced almost 300 allegations of rights abuses over the last 10 years.)</td>
</tr>
<tr>
<td>5. Human rights</td>
<td>Human rights central to all parts of the TNFD and seen as fundamental to biodiversity outcomes.</td>
<td>? (Recommends companies disclose human rights due diligence – but barriers to HR substantiation in the framework i.e., 1, 4, 6 &amp; broader issues.)</td>
</tr>
<tr>
<td>6. Remedy &amp; redress</td>
<td>All reporting companies, including investors, establish a grievance mechanism &amp; show that it is credible &amp; operational.</td>
<td>X (Invites organisations to report if they have grievance mechanisms – but doesn’t appear to require them.)</td>
</tr>
<tr>
<td>7. Lobbying</td>
<td>Businesses report their lobbying positions &amp; practices on nature-related issues, including via industry groups.</td>
<td>? (Some recommendation but vague.)</td>
</tr>
<tr>
<td>8. Exclusion</td>
<td>There is a process to exclude/suspend companies involved in egregious practices, bad faith reporting or greenwashing.</td>
<td>X</td>
</tr>
</tbody>
</table>
Additional risk: TNFD will steer companies to act on their most financially impactful issues related to biodiversity. **NOT** to focus on their worst impacts on biodiversity. For example, TNFD doesn’t require a company to act on extinction risks.

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<td>Commodification of nature</td>
<td>There is serious and systemic engagement with recommendations from the Intergovernmental Platform on Biodiversity &amp; Ecosystem Services – including the role market-based thinking has placed in exacerbating biodiversity loss.</td>
<td>X TNFD’s potential to escalate the commodification of nature through new ‘nature markets’ has never been interrogated</td>
</tr>
<tr>
<td>Profits from harm</td>
<td>Any profits connected to biodiversity or human rights harms are not retained – for example, through remedy &amp; redress.</td>
<td>X Under TNFD, companies can keep 100% of any profits made from biodiversity &amp; human rights harms.</td>
</tr>
<tr>
<td>Accountability</td>
<td>Companies reporting under TNFD clearly state that legal accountability is fundamental to ‘transition risk’ &amp; endorse environmental defender-led work on corporate accountability laws on environmental &amp; human rights. TNFD definitively states that as a corporate-written framework it should absolutely not be considered as the basis of future laws.</td>
<td>X There is deep critique that TNFD is distracting from &amp; undermining laws that would create actual risk for biodiversity harms.</td>
</tr>
</tbody>
</table>
“It is hard to argue how investors benefit by not being informed that a company is facing a complaint, why it is more credible for data to take a form that cannot be independently fact-checked or how chaotic, non-standardised and unreliable data will help analyse biodiversity risks.”

– Rainforest Action Network [Op ed](#) in Green Central Banking
TNFD is NOT ‘aligned’ with the Kunming-Montreal Global Biodiversity Framework.

Target 15:
“a) Regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity, including with requirements for all large as well as transnational companies and financial institutions along their operations, supply and value chains, and portfolios;”

* TNFD’s baseline does not recommend impact reporting, unless it is legally required.
* TNFD doesn’t ‘transparently disclose’ – it cannot be fact-checked & local communities can’t even find out about the company’s links to their area.

Target 14 calls on governments to enact policies, regulations etc to align public and private flows with biodiversity targets.

* Under TNFD businesses: are able to keep 100% of the profits they make off biodiversity and human rights harms, do not face legal consequences for harms they cause to biodiversity or human rights and there is no restriction to corporations expanding their land or water footprint.
* TNFD does not address the commodification of nature and may exacerbate it.
### Portion of large agribusiness traders business in high forest-risk commodities and if they would meet a 10% 'as material' threshold

<table>
<thead>
<tr>
<th>Company group</th>
<th>% of company operations linked to forest-risk commodities</th>
<th>% of supply chain financially impacted before being seen 'as material'</th>
<th>Clearly in scope for ‘as material’ metrics reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADM</td>
<td>Palm: 4.74% Soy: 4.74%</td>
<td>None. As sits below 10%.</td>
<td>No.</td>
</tr>
<tr>
<td>Bunge</td>
<td>Palm: 3.84% Soy: 3.84%</td>
<td>None. As sits below 10%.</td>
<td>No.</td>
</tr>
<tr>
<td>Cargill</td>
<td>Palm: 3% Beef: 0.5% Soy: 3%</td>
<td>None. As sits below 10%.</td>
<td>No. As Cargill is private, enterprise value definition of what is material to ‘end-users’ also unclear.</td>
</tr>
<tr>
<td>COFCO</td>
<td>Palm: 10.95% Soy: 21.91%</td>
<td>30.5%.</td>
<td>Not feasible. Would require almost ⅓ of all high-risk commodity business to be financially impacted.</td>
</tr>
<tr>
<td>Louise Dreyfus</td>
<td>Palm: 1.82% Soy: 1.82%</td>
<td>None. As sits below 10%.</td>
<td>No.</td>
</tr>
<tr>
<td>JBS</td>
<td>Beef: 16.3%</td>
<td>61.5%.</td>
<td>Not feasible. Would require almost ⅔ of all high-risk commodity business to be financially impacted.</td>
</tr>
<tr>
<td>Olam</td>
<td>Palm: 3.92% Soy: 3.92%</td>
<td>None. As sits below 10%.</td>
<td>No.</td>
</tr>
<tr>
<td>Wilmar</td>
<td>Palm: 18.67% Soy: 7.49%</td>
<td>38.5%.</td>
<td>Not feasible. Would require almost 40% of all high-risk commodity business to be financially impacted.</td>
</tr>
</tbody>
</table>

What is the baseline at which we could say that a company clearly hasn’t disclosed financially material information?

Auditors often see a 10% impact on a company’s value, share price etc is as the point where something is unequivocally **financially material**.

Also, how can investors know if they agree or disagree that a biodiversity harm is **not** financially material – if they aren’t aware of the harm?

How much can we trust a so-called solution to the biodiversity crisis – if biodiversity experts do not understand it and were not core to its development?...

The TNFD is written by corporations, not biodiversity leaders... and it shows
“While the case for action is clear, business and finance organisations today do not have the information they need to understand the risks and opportunities for their organisation that result from their impacts and dependencies on nature.”

“We aim to provide decision makers in business and capital markets with better quality information through corporate reporting on nature that improves enterprise and portfolio risk management. Robust information on nature-related issues allows business to incorporate nature-related risks and opportunities into their strategic planning, risk management and asset allocation decisions. Better information in the hands of investors and other capital providers can help shift the flow of global capital to more positive outcomes for nature and society.”

https://tnfd.global/about/

But remember...
Has TNFD shifted the behavior of its own taskforce members?

- BNP Paribas is facing legal action over its links to deforestation.
- Bank of America remains the fourth largest banker of fossil fuels.
- Bayer and Dow continue to rack up penalties or environmental violations.
- In 2022, BlackRock was kicked out of a UN Women partnership after mass outcry given its own social and environmental record.

According to The Canary, TNFD members have faced close to 300 allegations of rights abuses over the last 10 years & ploughed hundreds of billions of dollars into climate-wrecking. Several appear multiple times on investor exclusion lists.

Non-taskforce members who are ‘early adopters’ include Vale, Drax, Newmont & Tokio Marine.

Violation Tracker data for Bayer, accessed 27 March 2024.
Is TNFD evidence led?

TNFD claims to be ‘science-based’ – but it is not evidence led.

It doesn’t claim to be evidence led or based on any research that determines what interventions are likely to work or not work to shift corporate behaviour.

Additional points:

- ‘Radical uncertainty’ of predicting where and how biodiversity impacts will occur difficult for scientists, let alone corporations.
- Can we trust companies to self-report their own bad practices?
- Those tracking financial sector behaviour usually point to the lack of accountability, ability to profit off harms but never lose money & hiding what/who they finance as key issues.
- TNFD doesn’t delegitimise a company’s capacity to profit off biodiversity destruction or human rights abuses.
- CSOs, Indigenous Peoples and environmental defenders have sent various open letters, press releases etc raising concerns that TNFD will be the ‘next frontier in corporate greenwashing’.
- TCFD on climate released in 2017. Yet oil and gas companies making record profits. On regulation: Australia adopting ‘climate-related financial risks reporting’ – while over 100 fossil fuel projects are in the pipeline. US ESG debate also highlights the risk of setting the level of ambition as so low.
Extensive market consultation and testing

- 40 Taskforce Members leading market development
- 11 consultation groups across 20 countries
- 200+ pilot tests
- 19 knowledge partners

Framework feedback & review

- 8,200+ TNFD framework profiles created
- 130+ data providers in the Data Catalyst
- Engagement of Indigenous leaders and civil society organisations

- 750,000+ views of the framework
- 3,400+ pieces of feedback analysed
- Consultations with regulators and market intermediaries
- 23 TNFD Forum webinars and piloting clinics

- 60+ formal comment letters published
- 68 countries where substantive feedback was provided
- 150+ industry and stakeholder briefing events

Source: TNFD
Solely made up of corporations. No gov’t officials, no scientists, no IPs, no CSOs, no smallholders. “Leaders” include: Dow Inc, BlackRock, Bayer AG, Suzano, Bank of America, Anglo American, Bunge, KPMG, BNP Paribas, HSBC. Not clear who appointed them.

TNFD has refused to disclose who is in/not in the consultation groups.

Companies trialled TNFD tools for assessment/reporting & gave feedback. There was no pilot to test if TNFD’s framework would catch biodiversity harms or lead to greenwashing. During its development TNFD didn’t provide a single example of what a TNFD report would look like.

Much of this ‘engagement’ was CSOs & IPs raising profound concerns about TNFD and greenwashing risks.

Up to 98% of this feedback to TNFD was made in secret.

Despite being written by corporations, for corporations TNFD has refused to state that it is not an appropriate blueprint for regulation.

Anyone who cares about biodiversity – especially those on the frontlines – have a right to understand any proposed solution to the biodiversity crisis. Yet how many biodiversity experts understand what TNFD is, what it is proposing and who makes the decisions?
The Taskforce – made up of staff from 40 corporations is the ultimate decision-maker on TNFD

How does this structure meet the basic good governance principles of UNDP, UNEP, GEF and other donors?

Source: TNFD
“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.” – FT
TNFD does not disclose it’s total funding. A conservative estimate is that it’s received over USD$50 million.
Remember...

Corruption, money-laundering & bribery is also a market failure. However, the response was not to support the market to create “bribery-free bonds” or “anti-corruption transition finance”.

It was to create clear legal obligations for financial institutions and consequences for when they fail to follow them.

*In many, if not most, jurisdictions it is perfectly legal for a financial institution to finance a company engaged in environmental crime or unable to show how it’s core operations are legal. So long as a “financial crime” hasn’t occurred.*
Civil society statements, press releases, Indigenous Peoples’ submissions etc at: https://forestsandfinance.org/20tnfd/#1-5
Technical note on ‘materiality’:
To paraphrase, the baseline for TNFD is to report on how biodiversity will impact on your business (see ISSB definition below).

Unless, local law requires a company to report on its impacts on biodiversity – as well as how biodiversity will impact its business (double materiality) - then a company should do this. A company can also choose to do double materiality reporting.

The EU already requires double materiality reporting. China is currently proposing to also require double materiality for major stock exchanges. TNFD’s level of ambition is below what is already in law in at least one of the world’s major trading blocks.

ISSB definition of materiality:
“An entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects. In the context of sustainability-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.”