

TNFD programme Annual Review

Title: Taskforce on Nature-related Financial Disclosures programme	
Programme Value £ (full life): 2,826,855	Review date: 12/08/2022
Programme Code: PO022	

Summary of Programme Performance

Year	2022		
Overall Output Score	A+		
Risk Rating	Moderate		

This annual review covers the first year of the Taskforce on Nature-related Financial Disclosures (TNFD) programme, up to June 2022. This annual review reflects on the performance and progress of the programme over the past year, identifies the lessons learned, and formulates recommendations for the year ahead.

The key message of this Annual Review is that **the programme's outputs are either meeting or exceeding expectations.**

A. SUMMARY AND OVERVIEW

Description of programme

The UK government's funding contribution to the global, market-led TNFD programme supports the TNFD's mission to create a framework for organisations to report and act on evolving nature-related risks and opportunities, with the ultimate aim of aligning financial flows with nature-positive outcomes. This will contribute to the crucial transition to a nature-positive economy for sustainable development and poverty reduction.

Biodiversity and ecosystem services are vital necessities to maintaining human health and well-being and around half of global GDP (US\$44 trillion) is dependent on nature. However, unprecedented landscape degradation and biodiversity loss is resulting in greater volatility and uncertainty around the goods and services that ecosystems provide, and the [Dasgupta Review](#) (2021) clearly evidences that the associated physical, litigation and transition risks have significant macroeconomic and financial implications.

The impacts of climate change and biodiversity loss hit the world's poorest people first and hardest. There are clear links between the degradation of natural ecosystems and biodiversity loss with impacts of climate change and high rates of poverty across the developing world. Poverty worsens environmental degradation by leaving the poor with no alternatives to meet their needs and environmental degradation exacerbates poverty through deteriorating the poor's livelihoods, income, and health. A lack of aggregate action on biodiversity will create major development challenges, such as increasing health dangers from loss of natural sources for disease prevention and increasing pressures on food production and food security. These challenges underline the importance of the TNFD being designed in a way that enables low and lower-middle income countries to benefit from a nature positive economy.

The TNFD will enable companies, financial institutions, and regulators around the world to better understand and manage nature-related risks, dependencies and impacts, and help them capitalise on untapped development opportunities in conservation and sustainable use of nature. The TNFD will also constitute an integral part of the developing international

architecture for aligning economic and financial decision-making with the emerging post-2020 Global Biodiversity Framework.

The TNFD framework seeks to provide recommendations and guidance relevant to a wide range of market participants (of all sizes and across the world), including investors, analysts, corporate executives, board members, regulators, stock exchanges and accounting firms. The framework is being developed following the TNFD principles to be market usable, science-based, purpose-driven, integrated and adaptive, globally inclusive, embracing a full approach to nature-related risks, and employing an integrated approach to climate- and nature-related risks. The TNFD receives funding from multiple sources, including governments and philanthropic organisations. The TNFD originated in response to calls from market participants, who urged for the development of a nature-related risk management framework that is consistent with the emerging global baseline for sustainability reporting.

Summary supporting narrative for the overall score in this review

The key message of this Annual Review is that **the programme's outputs are either meeting or exceeding expectations**. The results provided for this Annual Review correspond to the June 2021 to June 2022 reporting period.

Since the TNFD's inception in June 2021, the TNFD Secretariat has been established and the initiative has developed a robust architecture with clear tasks and responsibilities to support its operations, including the TNFD Secretariat, Taskforce, Forum, Stewardship Council, and Knowledge Hub.

The TNFD has achieved its major deliverable, namely the beta framework, on time and on budget. The TNFD pursued an 'open innovation' and collaborative approach towards the development of its ['Beta v0.1' framework](#) (launched on 15th March), where it received input from a range of scientific, corporate, financial, and regulatory institutions. Since the launch of the first 'Beta' framework, the TNFD has received feedback through testing and consultation with wide-ranging institutions. The results from this year's review period suggest the TNFD is raising awareness amongst companies and financial institutions of the importance of addressing nature-related risks and opportunities in their decision-making and improving their initial understanding of how to do this (based on the beta framework). Furthermore, based on market demand, the TNFD has begun launching [National Consultation Groups](#) in select markets to expand awareness about the TNFD and encourage feedback and pilot testing of the framework.

As part of the release of the 'Beta v0.1' framework, the TNFD published its ['Discussion Paper: A Landscape Assessment of Nature-related Data and Analytics Availability'](#), which maps nature-related data platforms and sources and highlights the gaps and challenges in the data landscape. This is an important workstream for the TNFD as the availability and capability of decision-useful quality data and analytics represent critical success factors for the achievement of the TNFD's goal to provide a framework for organisations to report and act on evolving nature-related risks and opportunities. It is hoped that, with the efforts of the TNFD and standards bodies, more consistency and alignment will come.

The TNFD has also communicated its work effectively, helping to build understanding and secure significant global media and key opinion leader interest in the TNFD. A mixture of virtual and in-person TNFD events has been arranged, with key financial, corporate, and governmental figures in attendance. In particular, the TNFD 'Beta v0.1' Framework was effectively socialised through media interviews, social media, and speaking opportunities at both external and TNFD-owned events globally. In addition, the TNFD's stakeholder engagement approach has ensured that its work has been featured in the deliberations and negotiations of key political fora, including the Network for Greening the Financial System (NGFS), the Convention on Biological Diversity's Global Biodiversity Framework, the G7 Climate and Environment Ministers' Communique and the G20 Sustainable Finance Roadmap.

Major lessons and recommendations for the year ahead

Recommendations for the year ahead:

- 1) **Transparency between the TNFD Secretariat and its pilot programmes, such as Financial Services Deepening Africa (FSD Africa) and United Nations Environment Programme - Finance Initiative (UNEP-FI)** – To ensure greater transparency and clarity on how the results and findings of the TNFD’s pilot programmes are integrated into the development of the TNFD ‘beta’ versions of the framework, we recommend that high level reporting on the progress and findings of the various pilot programmes be discussed in quarterly reporting meetings. The pilot programmes play a critical role in ensuring that a truly global framework is developed.
- 2) **Data Generation** - With the recent launch of the TNFD Data Catalyst initiative, it is recommended that the TNFD articulates, through quarterly reporting updates, its broader data learnings, and spotlights clear roles for different stakeholder groups such as governments, NGOs, regulators, financial institutions, corporates, ratings agencies, and data aggregators.
- 3) **International Standards Bodies** – We recommend that the TNFD plays a primary role in influencing the international gold-standard on nature-related risk and reporting in a manner that facilitates integration with leading initiatives such as the International Financial Reporting Standards/International Sustainability Standards Board (IFRS ISSB) and that contributes to the goal to set the global baseline on sustainability reporting. We recommend that the TNFD reports on the progress it has made through quarterly reporting updates.
- 4) **Encouraging coordination between Taskforce Working Groups** – We recommend that the TNFD encourages greater coordination between Taskforce Working Groups, particularly where significant overlap exists such as on data, metrics and targets, and the development of specific guidance. This could be achieved through stronger join-up among Working Groups (beyond plenaries) and by facilitating bilateral meetings between Working Groups.
- 5) **KPI15 Methodology** – By the end of September, we recommend that Defra and the Green Finance Institute (GFI)/TNFD Secretariat develop an agreed methodology for KPI15 reporting to ensure that the programme remains focused on delivering transformational change. This will enable KPI15 metrics to be measured and evaluated in the programme’s second Annual Review in 2023. KPI15 is a qualitative process indicator, which assesses the extent to which International Climate Finance (ICF) programmes can be deemed likely to deliver transformational change. Transformational change is defined as ‘change which catalyses further changes’, enabling either a shift from one state to another or faster change.
- 6) **Monitoring and Delivery** – As the TNFD programme has exceeded a number of the initial expectations set out in the Log-frame, we believe there is scope to increase the levels of ambition for the Log-frame’s Milestone 2 targets (to be achieved in the second Annual Review in 2023). We recommend that GFI/TNFD Secretariat work with Defra to explore the extent to which ambition can be raised and agree new milestones by the end of September.
- 7) **Developing an ‘End of Programme’ Evaluation Plan** – Over the course of 2022/23, Defra and GFI/TNFD Secretariat should work together to decide on the focus and parameters of the ‘end of programme evaluation’ and to clarify the roles and responsibilities of key participants.

Lessons Learned:

A number of lessons have been learned through the beta v0.1 release in March 2022. These include:

1. **Coordination between Taskforce Working Groups:** There is a need for better coordination by the TNFD secretariat of the various working groups that each contribute to different aspects of the framework development in order to increase alignment and realise efficiencies in the development process.
2. **Working Group mobilisation:** Based on the programme's experience on the beta releases, lessons were learned about the need for rapid mobilisation of Working Groups for the next phase after each beta release and the need for earlier consolidation of drafts to allow sufficient time for beta release deliverables to be agreed and finalised, with input from the Taskforce. On this basis, a clear programme plan is being developed with deadlines for deliverables, including drafting, input, and review by Secretariat staff, Taskforce members and knowledge partners.
3. **Engagement with Knowledge Partners:** There is a need to further deepen engagement with Knowledge Partners and be clearer in advance on what is requested of them, based on longer-term planning. The Secretariat is currently updating the scopes of work with Knowledge Partners - providing clarity on the timeline and the specific requests for input from them up to June 2023 (such as deep-dive sessions).
4. **Stakeholder engagement:** It was beneficial for the TNFD to have engaged with stakeholders (both internal and external) in the run-up to the beta releases, with key meetings between Taskforce members and stakeholders. The TNFD will consequently develop a plan to more systematically engage with stakeholders as needed for future releases.
5. **Securing wide-ranging membership of the TNFD Forum:** The TNFD has learned lessons on the approaches that it has delivered successfully in order to secure wide-ranging membership of the Forum, and has ensured the ongoing implementation of these approaches. These include:
 - An inclusive and flexible approach, allowing institutions to join the TNFD Forum to build capacity and provide feedback without requiring endorsement of the beta Framework.
 - An open innovation approach which invites feedback from across a diverse group of stakeholders. The open innovation approach enables the TNFD to actively learn from each engagement, and continue to balance engaging market influencers from emerging and developed markets.
 - Closing geographic and sectoral gaps of the Taskforce by engaging institutions to consult on the Framework via a consortia member of the TNFD Forum. For example, the TNFD Consultation Group of Japan has been so effective at socialising the beta framework in the local language and at encouraging and gathering feedback that the TNFD is actively working to enhance similar engagement in key G20 financial centres to encourage awareness and feedback ahead of June 2023.

B: THEORY OF CHANGE AND PROGRESS TOWARDS OUTCOMES

Summarise the programme's [theory of change](#), including any changes to outcome and impact indicators from the original business case.

The Theory of Change was developed and agreed in consultation with relevant colleagues at the TNFD Secretariat and represents a practical roadmap for how the TNFD's activities and outputs will help to achieve high ambition outcomes and impacts. There are two key outcomes that the TNFD is seeking to achieve:

1. To create a risk management and disclosure framework that will enable international corporate and financial institutions to understand, map, measure, manage and report on their impact and dependencies on nature, thereby enabling the financial sector to make more informed and robust decisions regarding nature-related risks and opportunities.
2. To integrate the finalised TNFD Framework into existing financial standards in order to ensure widespread uptake and maximise impact.

In terms of impact, the TNFD seeks to make a catalytic contribution to ensuring that international finance is redirected away from activities that harm nature towards nature-positive activities. This presents an opportunity to deliver truly transformational change in the corporate and financial sectors and support the transition to a nature positive economy.

The experience of implementing the programme has not posed any challenges to the programme's design or the initial assumptions when designing the Theory of Change. Consequently, no changes to the outcome or impact indicators have been made since the original Business Case was signed-off. We believe that these outcomes continue to represent critical success factors for the programme.

Rating of transformational impact (KPI 15)

As the programme is still in the early stages of operation, there is currently insufficient evidence to assess the likelihood of transformational impact. Nevertheless, transformational change is expected and we will agree a methodology for KPI15 reporting after the first Annual Review process is completed.

In terms of impact, the programme seeks to increase nature-related risk management awareness and action across the international financial system as well as build up to reporting and disclosures across financial markets, facilitating the redirection of financial flows away from activities that contribute to nature loss and towards nature-positive outcomes – supporting sustainable development and poverty reduction.

Describe where the programme is on/off track to contribute to the Log-frame's expected outcomes. What action is planned in the year ahead?

The year ahead will be crucial for determining whether the programme delivers its outcomes – as further 'beta' framework iterations are developed in response to feedback and consultations and as critical decisions are made regarding how the TNFD will be integrated into the existing financial standards architecture. As the Theory of Change's Outcomes will only be able to be assessed at the end of the programme, we reconceptualised the Outcomes in the Log-frame so that indicators and milestone targets could be developed for measurement purposes during the programme's implementation period.

Outcome 1

The TNFD's first outcome is to achieve market awareness of the TNFD programme. This is being measured by assessing the scores achieved in the online engagement platform surveys, which were undertaken by stakeholders who were testing the first 'beta' version of the TNFD Framework. The surveys assessed the extent to which the following three core components of the 'beta' TNFD Framework were 'useful' or 'very useful': 1) the TNFD's fundamental concepts and definitions to help users understand nature and nature-related risks; 2) the TNFD's disclosure recommendations; 3) the prototype guidance to support corporates and financial institutions in carrying out internal assessments of nature-related risks and opportunities. 395 out of the 424 survey respondents rated the effect of the Beta Framework on their understanding of nature, the disclosure recommendations, and the LEAP (Locate, Evaluate, Assess, Prepare) process to be 'useful' or 'very useful'. This exceeded expectations and indicates that the programme is on track to achieve market awareness.

Outcome 2

The programme's second outcome is to achieve demonstrated interest in the TNFD framework from governments and international standards bodies. The TNFD seeks to achieve this by actively engaging with governments (policy-making entities, central banks, or other regulatory

bodies) in order to raise awareness on the TNFD, stimulate interest, and prepare the groundwork for possible future regulatory arrangements. While the TNFD is currently focused on building a voluntary risk management and disclosure framework by the market and for the market, the ability of the TNFD framework and recommended disclosures to produce transformational change is dependent on the willingness of governments and regulators to incorporate TNFD recommendations into any mandatory risk management and reporting requirements in their jurisdiction. Moreover, engagement with international standards-setting advisory bodies, such as IFRS/ISSB is crucial for the development of a Framework that can be easily assimilated into the international standards architecture.

So far, the TNFD has directly engaged with nine governments, 12 market supervisors and regulators, 10 public development banks (PDBs) and development finance institutions (DFIs), five other public sector entities and seven standards, targets and disclosure providers, including the IFRS/ISSB – Sustainability Accounting Standards Board (SASB) Research team and the European Financial Reporting Advisory Group (EFRAG). The TNFD has also worked with national disclosure and reporting bodies and initiatives such as the Securities and Exchange Commission (SEC) in the US, in addition to other standards-setting initiatives relevant in scope such as the Global Biodiversity Framework.

The TNFD has achieved the target to engage with at least five to seven G7 governments by this Annual Review process. This has been done via actively engaging four G7 governments via the TNFD Forum, and by undertaking bilateral updates with the German government and US Treasury (as Co-Chair of the G20 Sustainable Finance Working Group) and through donor updates to Italy (via the UN Multi-Partner Trust Fund agreement). Strategic engagement was also undertaken with key policy makers and regulators like the Coalition of Finance Ministers for Climate Action, NGFS, the G20 Sustainable Finance Working Group along with actively participating in a number of key international summits, such as undertaking speaking engagements and participating in panel discussions. This has proved an adept approach for raising awareness amongst a wider audience.

In the first two quarters of 2022, TNFD representatives spoke at global events (such as Davos), many industry events (such as Reuters Responsible Business, Point Zero Forum and IIF Sustainable Summit), eight webinars with businesses and civil society, as well as consortia like the World Bank and Emerging Markets Investor Alliance. This has proved an adept approach for raising awareness amongst a wider audience.

Gender equality

Biodiversity policy and programming is an important entry point for female empowerment. The Convention on Biological Diversity demonstrates that women tend to have greater dependence on their natural environments and therefore are more vulnerable than men when biological resources are depleted. This vulnerability is compounded by the underlying socio-cultural norms and 'gender gaps' which hinder women's equal access to natural resources and related decision-making. Despite this, evidence suggests that many biodiversity policies and initiatives globally still offer fewer opportunities to build on women's specific roles and capacities compared to men. ¹ Ensuring gender dimensions are embedded within ODA programming therefore ensures that we can comprehensively make progress towards our biodiversity objectives, and furthers our contribution towards Sustainable Development Goal 5 on achieving gender equality and women's empowerment.

We are assured that the TNFD understand the multifaceted ways in which action on biodiversity is linked to how environmental degradation can lead to poorer outcomes for women and how biodiversity loss can perpetuate inequalities for women and children.

The TNFD Secretariat collects gender-based data on usage of the platforms it provides:

- Google Analytics is used to provide insights on the users of the beta release digital platform. At the date of this Annual Review, Google Analytics reports that women users

¹ [cbd-towards2020-gender-integration-en.pdf](#)

of the platform over index men by a small margin (761 women users against 729 men users in the latest reporting period).

- Data is similarly collected on the users who have registered and created a digital account on the digital platform since the first beta release. Of the users who registered since the first beta release, men over index slightly at 216 versus women at 182.

The TNFD is also committed to diversity and gender representation in its Secretariat, resourcing, and membership. The TNFD Secretariat has direct influence over the construct of the Secretariat team, where the ratio of women to men is 2.5:1. TNFD Forum membership is held at the level of the organisation, and the TNFD is most concerned with ensuring the forum has broad geographic representation and has no direct influence over the gender of individuals who act as representatives of forum members.

Justify whether the programme should continue, based on its own merits and in the context of the wider portfolio

Based on the above analysis of outcome and impact achievement, the Theory of Change, Value for Money analysis (see Section E of this Annual Review), and the output scores, we believe that the programme represents good value for money and should continue.

The TNFD programme continues to adhere and contribute to Defra's portfolio and priorities. It helps to deliver the objectives set out in the UK government's International Nature Strategy and the 2021 Integrated Review (which sets out the government's vision for the UK's role in the world over the next decade and the action we will take to 2025). It aligns with the UK government's commitments in response to the Dasgupta Review and the 2019 Green Finance Strategy commitment to catalyse market-led action on mainstreaming nature-related financial risks and reporting. The programme similarly supports the implementation of the G7 Nature Compact and the Glasgow Leaders Declaration on Forests and Land Use (signed by 145 governments at COP26).

C. DETAILED OUTPUT SCORING

The programme will be assessed using the below scoring methodology, in line with Overseas Development Assistance (ODA) guidance.

Description	Score
Outputs substantially exceeded expectation	A++
Outputs moderately exceeded expectation	A+
Outputs met expectation	A
Outputs moderately did not meet expectation	B
Outputs substantially did not meet expectation	C

OUTPUT 1

Output Title	Beta versions of the TNFD framework are released and developed, prior to publication of the finalised TNFD framework (v1.0)		
Output number:	1	Output Score:	A
Impact weighting (%):	60	Weighting revised since last AR?	N/A

Indicator(s)	Milestone(s) for this review	Progress
1.1 – Number of beta versions of the TNFD Framework, prior to publication of the finalised TNFD Framework (v1.0) in September 2023.	First (v0.1) beta release of new disclosure and reporting framework is released to market for consultation and feedback	First (v0.1) beta release of the TNFD Nature-related Risk and Opportunity management and Disclosure Framework was released to the market for consultation and feedback via the TNFD website and online platform on 15 March 2022.

Briefly describe the output’s activities and provide supporting narrative for the score.

The first ‘Beta’ version of the TNFD Framework represents an important first step by the market to tackle the risk of nature loss to the global economy and reduce their impacts on nature. This was launched on 15th March 2022 and marks the beginning of an 18-month process of consultation and development. The TNFD is pursuing an ‘open innovation’ approach with market participants and with the benefit of the expertise provided by a global network of knowledge partners from science, standards, data, technology, finance, business, policy, and regulation. The TNFD will produce further iterations of the Framework, culminating in the final release of the TNFD’s recommendations in Q3 2023.

There are three core components to the first beta version of the TNFD Framework:

- 1) A set of **fundamental concepts and definitions** for understanding nature and nature-related risks that the TNFD recommends market participants use when assessing and disclosing their nature-related risks and opportunities.
- 2) A set of draft **recommended nature-related disclosures** that are closely aligned with the Taskforce on Climate-related Financial Disclosures (TCFD), therefore providing the consistency of approach that the market is asking for.
- 3) **Prototype guidance** for corporates and financial institutions to support their internal assessments of nature-related risks and opportunities, therefore helping to provide nature-related disclosures.

The first version of the Beta Framework, released in March, has generated a positive response from market participants with over 500 feedback contributions received from more than 130 market participants and stakeholders across 37 countries and all five continents.

Describe any changes to this output during the past year, and any planned changes as a result of this review.

This output was added during the Log-frame’s development stage and is different to what was originally included in the Business Case. Output 1 was initially ‘£ mobilised (public and non-public)’. However, this was removed as the TNFD is ultimately accountable for the results it achieves rather than the amount of money it raises.

The decision was made to add ‘Number of beta versions of the TNFD Framework, prior to publication of the finalised TNFD Framework (v1.0) in September 2023’ as an output since the publication of multiple iterations is vital to both the testing and consultation process and the ongoing improvement of the relevance, usability, and effectiveness of the Framework. No changes are planned for this output as a result this Annual Review.

Progress on recommendations from the previous AR (if completed), lessons learned this year and recommendations for the year ahead

N/A

OUTPUT 2

Output Title	Significant membership of the TNFD Forum achieved – representing global market awareness and willingness to consider voluntary adoption of the TNFD's recommendations		
Output number:	2	Output Score:	A++
Impact weighting (%):	15	Weighting revised since last AR?	N/A

Indicator(s)	Milestone(s) for this review	Progress
2.1 - # of companies and financial institutions who have joined the TNFD Forum (scale)	200 TNFD Forum members (with a predominance of early membership from G7 economies).	404 companies and financial institutions have joined the TNFD Forum (of which 257 are from G7 economies).
2.2 - # of countries and jurisdictions from which companies and financial institutions have joined the TNFD Forum (breadth)	30	39
2.3 - # of industry sectors represented in TNFD Forum membership (breadth)	10	24
2.4 - # of national consultation groups (NCGs) established to support the TNFD Forum and TNFD market engagement efforts	3 (including the UK)	6 (including Australia and New Zealand (as a regional group), India, Japan, Netherlands, UK and Switzerland).

Briefly describe the output's activities and provide supporting narrative for the score.

The programme has exceeded expectations in terms of the membership of the TNFD Forum - examining composition in terms of the number of companies and financial institutions who have joined, the number of countries and jurisdictions represented in the membership, and the number of sectors represented. The programme has also managed to create more national consultation groups than initially anticipated would be possible in the first year.

The significant and growing membership of the TNFD Forum exemplifies the high level of market and stakeholder confidence in the value proposition of the TNFD. The TNFD Forum is a global multi-disciplinary consultative platform which supports the work of the TNFD Taskforce. Its membership is open to a broad range of institutional types including companies, financial institutions, public sector institutions (including regulators), pension funds, sovereign wealth funds, academic and research organisations, business associations, inter-governmental organisations, in addition to conservation and civil society organisations. The National Consultation Groups are designed to expand awareness about the TNFD in selected markets and to encourage feedback and pilot testing of the Framework.

The Output 2 indicator results have all exceeded expectations, which positively reflects the demand from the market to both upskill and for a framework to manage nature-related risks. The results have exceeded expectations owing to two principal reasons. Firstly, the TNFD

Forum includes market consortia ² who have acted as nature-forward champions and credible amplifiers within their sector, and have therefore helped to catalyse wider interest in the work of the TNFD. Secondly, the TNFD has worked together with the Stewardship Council and influential policy-making platforms within the Forum to credibly position the TNFD to be positively considered and integrated on key agendas of the G7, G20, and the United Nations Framework Convention on Climate Change (UNFCCC) and the Convention on Biological Diversity (CBD) COPs.

Describe any changes to this output during the past year, and any planned changes as a result of this review.

In the draft Log-frame that was developed as an annex in the Business Case, Output 2 was initially focused on developing market readiness for the TNFD and it was agreed to either relocate or remove the initial Output Indicators. ‘# of companies and FIs consulted and responded disaggregated by geography, sector, and type of company or FI’ was relocated into a new ‘Market and Stakeholder engagement on the Beta versions of the TNFD Framework’ output which was a more relevant categorisation for what the Output Indicator was measuring. Moreover, the initial ‘# of proof of concept pilots conducted’, ‘# market readiness studies conducted’, and ‘# of knowledge management products developed and disseminated by the project’ were removed following updates to the Workplan.

We believe that the extent to which the programme has exceeded initial expectations demonstrates that there is scope to increase the ambition on all the Output 2 indicators for Milestone 2. The Defra programme management team will liaise with the TNFD Secretariat to discuss how we can heighten ambition for the remainder of the programme to ensure the likelihood of delivering transformational change is maximised.

Progress on recommendations from the previous AR (if completed), lessons learned this year and recommendations for the year ahead

For the lessons learned related to this Output, see the ‘Lessons Learned’ segment with ‘Section A: Summary and Overview’ on p.4.

In terms of recommendations for the year ahead, we note that a majority of the TNFD Forum members come from G7 countries (257 out of the 404 total). Although an early predominance of G7 membership was anticipated in the first year of the programme, we believe it is important to underline the need to ensure engagement with stakeholders beyond the G7 to ensure the programme becomes truly global in scope.

OUTPUT 3

Output Title	Market and stakeholder engagement on the Beta versions of the TNFD Framework		
Output number:	3	Output Score:	A+
Impact weighting (%):	15	Weighting revised since last AR?	N/A

² These consortia include Business for Nature, Business Solutions for Sustainable Development (CEBDS), Ceres, Confederation of British Industries, Confederation of Indian Industries, Institute of International Finance, International Petroleum Industry Environmental Conservation Association (IPIECA), Japan Business Initiative on Biodiversity, United Nations Principles for Responsible Investment (UN PRI), World Business Council for Sustainable Development (WBCSD), World Economic Forum (WEF), and the US Chamber of Commerce.

Indicator(s)	Milestone(s) for this review	Progress
3.1 - # of FIs and companies piloting the draft TNFD framework, disaggregated by type of FI and company; and by geography	0	0
3.2 - # of international indigenous communities engaged through the consultation process	0	0
3.3 - # of Knowledge Partners engaged, enabling the TNFD to draw from the best existing relevant initiatives, frameworks, and standards relevant to its scope.	10	13

Briefly describe the output's activities and provide supporting narrative for the score.

Output Indicators 3.1 and 3.2 did not include milestones for this year because the framework piloting and indigenous communities' consultation process were not scheduled for commencement until after the results collection period for this 2022 Annual Review.

The TNFD has put in place agreements with 13 'core' knowledge partners, which are a multi-disciplinary group of leading international organisations that will play a key role over the programme's two-year development phase. The Knowledge Partners are recruited and deployed by the TNFD Secretariat's Technical Team to support the TNFD's Working Groups and provide in-kind or pro-bono contributions. The Knowledge Partners bring in scientific and technical expertise on biodiversity, natural capital, sustainable finance, and market practice relating to the assessment and management of financial and non-financial risks. The TNFD is continuing to identify other organisations with expertise critical to the work of the TNFD and inviting them to join the Forum as knowledge partners. The current 13 knowledge partners are listed below:

- Agence Française de Développement (AFD)
- CDP
- Cambridge Institute for Sustainability Leadership (CISL)
- Global Reporting Initiative (GRI)
- International Union for Conservation of Nature (IUCN)
- Network for Greening the Financial System (NGFS)
- SASB Standards Research Team
- Science Based Targets Network (SBTN)
- The Capitals Coalition
- UNEP World Conservation Monitoring Centre (UNEP-WCMC)
- UN Statistics Division (UNSD)
- The World Business Council for Sustainable Development (WBCSD)
- WWF

There are two principal reasons which explain why the TNFD has exceeded its target for Knowledge Partner onboarding. Firstly, the TNFD secretariat through the development of the framework has found requirements for increased level of scientific and expert rigour. Secondly, the number of Knowledge Partners reflects the significant interest from these organisations to participate in the development of the framework.

Describe any changes to this output during the past year, and any planned changes as a result of this review.

When developing the Log-frame after the Business Case was signed, several updates were made to the original Output 3 indicators (as found in the draft Log-frame in the Business Case annex) to better reflect the evolving priorities of the TNFD Technical Work Plan. We removed the indicator on '# of public expressions of support' as this was already encapsulated by the Output 2 indicator on TNFD Forum membership. We removed the indicator on 'implementing Knowledge Management products' as this was already encapsulated by other indicators on disclosure recommendations and publishing guidance. We reconceptualised and moved the indicator on how the 'Framework enabled better decision making' to the Outcome section. We added an indicator on engagement with indigenous communities owing to the crucial knowledge they can play in enhancing the TNFD's understanding of high natural capital areas. We added an indicator on Knowledge Partner engagement as this is essential to ensuring that the TNFD leverages the best available science and technical expertise. Finally, the indicator on enhanced understanding of nature-related risk was reconceptualised to make it more specific and moved to Outcome 1. We do not plan to make any changes to this output as a result of this Annual Review.

Progress on recommendations from the previous AR (if completed), lessons learned this year and recommendations for the year ahead

As mentioned in the overarching lessons learned section on p.4, there is a need to further deepen engagement with Knowledge Partners and be clearer in advance on what is requested of them, based on longer-term planning. The Secretariat is currently updating the scopes of work with Knowledge Partners - providing clarity on the timeline and the specific requests for input from them up to June 2023 (such as deep-dive sessions).

OUTPUT 4

Output Title	Guidance published that provides support for institutions adopting and implementing the TNFD Framework		
Output number:	4	Output Score:	A
Impact weighting (%):	10	Weighting revised since last AR?	N/A

Indicator(s)	Milestone(s) for this review	Progress
4.1 - # of sectoral guidance documents drafted and published.	0	0
4.2 - # of guidance on data and metrics drafted and published.	Discussion paper for consultation with market participants on the data landscape	Discussion paper on landscape assessment of Nature-related data and analytics availability was released on the TNFD website and online platform on 15 March 2022 for market participants' consultation.

Briefly describe the output's activities and provide supporting narrative for the score.

The TNFD has made a significant contribution to the data and metrics debate by producing a 'Landscape Assessment of Nature-related Data and Analytics Availability', which maps data platforms and sources and has identified key gaps and challenges for data providers to address. The TNFD paper includes two case examples for forests and water on how data and

analytics can be used in the TNFD nature-related risk and opportunity assessment process. The TNFD has been welcoming engagement and feedback on areas identified for further discussion and work in the paper, including: centralising nature-related data platforms; tapping into and accelerating decision-useful data innovation and developments; and building technical expertise, resources, and capacity for collection and analysis of high-quality, robust nature-related data.

At the next milestone – once the TNFD disclosure recommendations and framework have been developed further – the TNFD will develop sector specific guidance with, and for, key market participants. It is now established practice among disclosure mechanisms to provide sector-specific guidance to market participants to make their reporting and disclosure activities as efficient, comparable, and context-appropriate as possible within sectors.

Describe any changes to this output during the past year, and any planned changes as a result of this review.

Output 4 constitutes a new output that was added to the draft Log-frame. We do not plan to make any changes as a result of this Annual Review.

Progress on recommendations from the previous AR (if completed), lessons learned this year and recommendations for the year ahead

N/A

D: RISK

Overview of risk management

The TNFD programme has maintained a moderate risk rating over the first 12 months of the programme – mitigation strategies were developed to address the initial risks identified in the Business Case and subsequent risks that have arisen have been actively mitigated. Defra regularly reviews programme risks and developments through its governance processes, including through its regular quarterly reporting meetings. Defra also has a high level of visibility over emerging risks through its membership of the TNFD Stewardship Council.

The risks identified in the Business Case have been successfully mitigated by the TNFD. Additional funding from other governments and philanthropics has been secured for the TNFD programme which means that the TNFD has enough funding to sustain the programme over the remainder of the programme's development period. The TNFD's comprehensive communications and stakeholder engagement plan has meant that key players from around the world (including knowledge partners, corporates, and financial institutions) are participating in the Framework's development, and the Defra Policy Lead has helped to drive ambition through the TNFD Stewardship Council. Furthermore, the TNFD has sought to ensure that it achieves a shift towards nature-positive outcomes rather than merely nature-neutral outcomes by developing a strong evidence base and leveraging the expertise of key knowledge partners.

The risks identified through the quarterly reporting process (which constitutes a key part of the governance of the TNFD programme) have also been mitigated. In response to in-country demand for technical support, the TNFD developed a plan to provide greater technical support and secure additional funding from philanthropic donors. In recognition of the immense value of capacity-building in determining the success of the programme, the TNFD has developed partnerships with piloting programmes to increase engagement in the TNFD's testing and consultation process. The TNFD has sought to overcome evidence of friction and disconnect within its complex delivery model by providing greater clarity on the scopes of various roles and activities and by enhancing coordination and communication. Moreover, the TNFD has developed working relationships and active buy-in from key ecosystem players that are creating similar mechanisms for addressing nature-related risks and has secured and sustained top-level political endorsements from the G7, G20, the Organisation for Economic

Cooperation and Development (OECD), NGFS, the Financial Standards Board (FSB), the International Organisation of Securities Commissions (IOSCO) and TCFD for the work of the TNFD.

The TNFD and the wider nature agenda has faced a number of unexpected geopolitical challenges over the course of 2022, stemming from the war on Ukraine and the ensuing need for European countries to explore alternative options for securing carbon-based energy supplies at pace, which has led to the nature agenda being viewed as less of a priority by some stakeholders. In addition, several regulatory and legal developments in the United States have created challenges for the nature agenda. Although these challenges undoubtedly represent a set-back, they have not been serious enough to derail the nature agenda. In fact, as witnessed by the increasing number of signatories to the TNFD Forum, the best-in-class league of knowledge partners, and the high levels of institutional engagement across sectors and around the world, there is a growing awareness of the need to manage nature-related impacts and dependencies through an enterprise value lens.

E: PROGRAMME MANAGEMENT: DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE

Summarise the performance of partners and Defra, notably on commercial and financial issues, and including consideration of Value for Money measures of economy and efficiency.

GFI has proven a trusted and reliable delivery partner, evidenced through regular dialogue, engagements with Defra's TNFD Policy Lead (who sits on the TNFD Stewardship Council), and quarterly reports which enable an evaluation of the progress, risks and funding of the TNFD programme. The quarterly reports have been detailed and received on time, in accordance with the stipulated reporting timeline. Defra makes payments to the TNFD programme in line with an agreed timetable, based on deliverables that are reported on in the quarterly reports. Defra has worked closely with the TNFD to establish a common understanding of what constitutes sufficient of evidence of need and what information needs to be included in the disbursement requests.

We have confidence that the programme is on track to deliver the envisaged outcomes and impact on time and to the budget originally planned. The UK government's funding has ensured that the TNFD has been able to make considerable progress at pace and on a much greater scale that would otherwise be the case.

Value for Money monitoring

How is Value for Money (VfM) monitored?

Value for Money is monitored throughout the year using a variety of reporting tools. On a quarterly basis, the delivery partner is required to produce Quarterly Reports to demonstrate the achievement of key deliverables using the funds provided, as a justification for the disbursement of funds to continue the programme. On an annual basis, the Value for Money of the programme is considered in relation to outcome/output targets as set out in the Log-frame and compared to the proposition in the Business Case.

What has the delivery partner done to ensure VfM?

The TNFD has secured significant and ongoing pro bono support from a range of consulting businesses and legal firms, including Ernst & Young, Deloitte, PwC, Marsh McLennan, Oliver Wyman, Clifford Chance, Slaughter & May, and Proskauer Rose.

- The consulting firms have supported the TNFD with direct secondments into working groups, increasing effectiveness and quality of output from the working groups, and reducing the permanent headcount and paid-for consultancy support that would otherwise have been needed to complete the first beta release on time.
- The legal firms provided the TNFD with advice on drafting of important contracts and documents, and corporate governance and related matters.

GFI staff (working on a cost recovery only basis) helped the TNFD Secretariat recruit the permanent secretariat team and establish operational processes and procedures, which were replicated directly from GFI's own systems (where appropriate). This enabled the TNFD Secretariat to mobilise more quickly and at a lower operational cost.

The TNFD also benefitted from the UNEP-FI executed Global Environment Facility (GEF)-funded TNFD project via secondees contributing to the Secretariat's operation and technical input in Working Group 6 since February 2022.

Does programme progress demonstrate VfM?

Since the approval of the Business Case, there has been no evidence that the economic arguments have changed, nor has there been any significant changes in the design of the programme that will preclude it from delivering value for money.

As per standard practice, VfM assessments compare current progress of the programme outputs (see Table 1) against the programme Business Case.

Table 1- TNFD Outputs

Output #	Description	Milestone
Output 1	Beta versions of the TNFD Framework are released and developed, prior to publication of the finalised TNFD Framework (v1.0).	2022
Output 2	Significant membership of the TNFD Forum achieved – representing global market awareness and willingness to consider voluntary adoption of the TNFD's recommendations.	2022
Output 3	Market and stakeholder engagement on the Beta versions of the TNFD Framework	Not all indicators in this Output have milestones for 2022.
Output 4	Guidance published that provides support for institutions adopting and implementing the TNFD Framework	Not all indicators in this Output have milestones for 2022.

Currently, 70% of targets have either been delivered or exceeded, with a further 30% due to report in 2023. This strongly suggests the programme's objectives are on track to be delivered, but a more comprehensive assessment will be undertaken in 2023.

VfM assessment for Annual Review

The following VfM assessment has been undertaken consistent with Foreign, Commonwealth & Development Office (FCDO) guidance. This recommends that all programmes are assessed against the following four VfM categories:

- Economy - Are we (or our agents) buying inputs of the appropriate quality at the right price?
- Efficiency – How well are we (or our agents) converting inputs into outputs?
- Effectiveness – How well are the outputs produced by an intervention having the intended effect?
- Equity – To what extent are Gender Equality and Social Inclusion (GESI) considerations incorporated into the intervention?

Economy

Figure 1 - Largest cost drivers of TNFD administration, October 2021 - May 2022

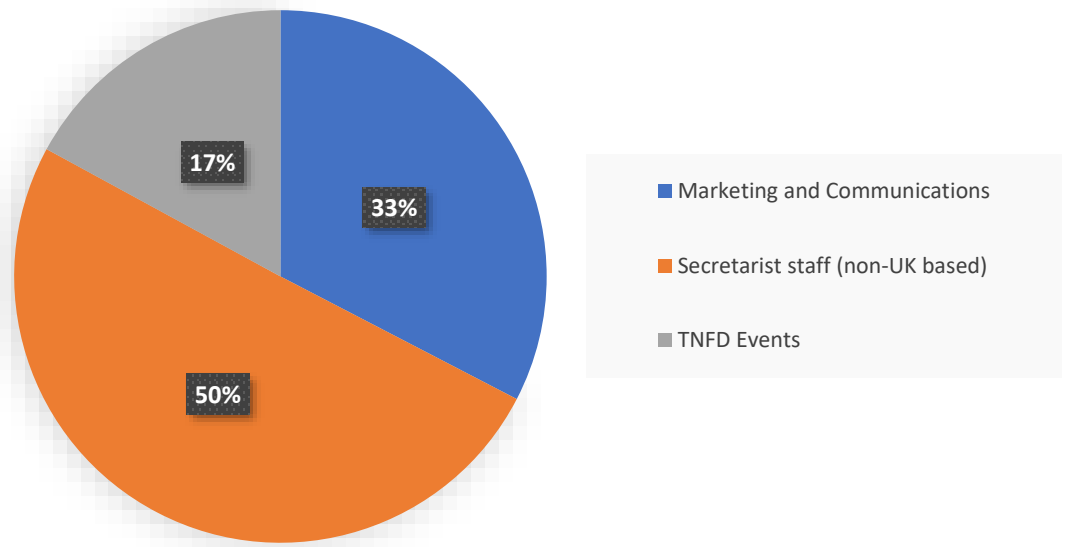


Figure 1 shows that, through the period October 2021 – May 2022, the largest cost driver of administration costs was Secretariat staff (non-UK) amounting to £182,044.74. According to the evidence collected, the programme also spent £122,872.76 on marketing and communication and £71,619.32 was spent on events promoting the programme.

Data cannot be provided for the whole financial year 2021-2022 (i.e. April 2021 – March 2022) because the UK government only commenced funding the programme in October 2021. For future VfM assessments and Annual Reviews, we will request more data on the programme's input costs, in addition to the current data on administration costs, to allow for a more accurate monitoring of costs.

Efficiency

Figure 1 shows that 17% of the total administration cost between October 2021 – May 2022 was spent on events promoting the programme. TNFD spokespeople have participated in numerous industry events, which evidences that the TNFD is promoting market awareness (Outcome 1), including but not limited to: Reuters Responsible Business, Point Zero Forum, and IIF Sustainable Summit, as well as numerous closed-door webinars with businesses, members of civil society, and organisations like the World Bank, Emerging Markets Investor Alliance, and many others in the first two quarters of 2022.

Of the total administration cost, 33% was allocated to Marketing and Communication (further evidence of TNFD promoting market awareness and outreach – Outcome 1) and £2187.26 was spent on website-related fees (web design, web costs and web HR based services). These costs supported the delivery of the first Beta (v0.1) release of the TNFD nature-related risk and opportunity management and disclosure framework which was shared with stakeholders for consultation via the TNFD website and online platform as planned on 15 March 2022, thus meeting the milestone.

The programme is on track to submit further beta framework iterations, prior to the final recommendations document published by September 2023 (Output 1) and is performing above expected targets in terms of global market awareness and willingness to consider voluntary adoption of the TNFD's recommendations (Output 2).

Effectiveness

In year 1, TNFD has met the target for 20% of the output indicators, overachieved and exceeded on 50% of them, and did not have 2022 milestones for 30% of output indicators.

This positive output performance signals that the programme is well placed to achieve its intended outcomes:

- Outcome 1: Market awareness of the TNFD framework for nature-related risk management and disclosure
- Outcome 2: Demonstrated interest from government policy makers and regulators; and international standards development bodies in the TNFD Framework as a foundational input into possible future regulatory arrangements for nature-related risk management and disclosure.

Market awareness of the programme was assessed with an online stakeholder survey. Approximately 93% (395 out of the 424) of the respondents assessed the disclosure recommendations, the LEAP (Locate, Evaluate, Assess, Prepare) process, and the impact of the Beta Framework on their understanding of nature as "useful" or "very useful." This exceeded anticipated expectations and shows that the programme is on track to achieve market awareness.

In terms of company engagement, 404 companies and financial institutions joined the TNFD Forum of which 257 are from G7 economies. This is a 102% increase compared to the targeted output milestone. In terms of country representation, 39 countries and jurisdictions are represented in the TNFD Forum, outperforming the milestone by 30%. Furthermore, 24 industry sectors are represented in the TNFD Forum – a 140% increase compared to the targeted result.

TNFD has directly interacted with nine governments and achieved the target to engage with at least five to seven G7 governments by this Annual Review process. It has also engaged with 12 market supervisors and regulators; 10 public development banks (PDBs), development finance institutions including the International Sustainability Standards Board (ISSB); many national and international disclosure and reporting organisations, including the SEC in the US, EFRAG in the EU, as well as important standards-setting projects, such the Global Biodiversity Framework. Evidence shows that the programme is outperforming in terms of country and sector engagement.

Equity

The Secretariat employs Google Analytics to gather information around the beta release platform users. The data revealed that there are 761 women users compared to 729 men users – representing ~4% more women users than men. In contrast, 216 men have registered since the first beta release of the digital platform, compared to 182 women users, according to data collected on the number and genders of registered users - representing ~19% more men registered than women.

Consultation mechanisms are currently being built to engage with indigenous people and local community groups around the world so that their voice and contribution is heard through the consultation period, along with other stakeholders, showing that the TNFD is considering marginalised groups throughout the programme. Further announcements on the TNFD's engagement with local and indigenous communities will be made in the coming months and reported in future VfM assessments.

TNFD is committed to diversity and gender representation in its Secretariat, resourcing, and membership. The composition of the Secretariat team, where women make up 2.5:1 (women-to-men) of the team on average, is directly influenced by the TNFD Secretariat. However, more information is needed on the number of members in the Secretariat team as well as how many FTEs are employed in total to assess overall representation.

Additional data and information on the involvement of other marginalised and vulnerable groups in addition to women would also be beneficial as it would allow for an assessment to be made on how the TNFD is reaching and targeting all marginalised groups equally and fairly.