



Full Business Case Change Control Note

Version November 2023

Detail of Template

1. KEY INFORMATION

Project Name	Taskforce on Nature-related Financial Disclosures (TNFD) programme
Original Project Objectives	<p>Defra contributed ~£2.8 million to support the TNFD initiative's two-year 'design and development' phase, which culminated in the launch of the final TNFD recommendations on nature risk management and disclosures on 18th September 2023 at New York Climate Week.</p> <p>The TNFD will enable organisations to report and act on their evolving nature-related impacts, dependencies, risks, and opportunities, with the ultimate aim of supporting a shift in global financial flows towards nature-positive outcomes and achieving the goals of the Global Biodiversity Framework.</p> <p>Defra's initial funding contribution supported the building and testing of the TNFD framework, engagement, resourcing, communications, and research. The TNFD Secretariat was launched in June 2021 with support from founding partners and funders, receiving global endorsements from the G7, G20 and other influential leaders.</p> <p><u>TNFD African Voice Addendum:</u> From November 2021 to November 2022, Defra also contributed ~£1.6m to fund a TNFD African Voice pilot programme, which was used to secure engagement by African financial institutions, governments, and central banks, with the aim of ensuring that the TNFD Framework is fit for purpose in African contexts and to help increase the uptake of the TNFD in Africa once launched.</p>

Reasons for change	<p>Following the global launch of the TNFD in September 2023, the TNFD initiative is now pivoting towards its crucial uptake phase. Our proposed additional £2m funding would build upon our successful ICF investment to date – by supporting capacity building, scaling of market awareness, and adoption of the TNFD framework including through engaging a broad range of relevant stakeholders. The TNFD has been a high-performing programme to date – scoring an A+ in both the 2022 Annual Review and the 2023 Programme Completion Review.</p> <p>Widespread uptake of the TNFD by corporates and financial institutions across sectors and geographies is critical in order to achieve Defra’s objectives (as set out in the 2023 Green Finance Strategy) to ensure biodiversity and wider nature considerations are integrated into economic and financial decision-making and support the realignment of global financial flows towards nature positive outcomes. The TNFD is also recognised as the principal mechanism through which to operationalise Target 15 of the Global Biodiversity Framework, which concerns reporting on biodiversity risks, dependencies, and impacts. Lastly, in terms of its goal to inform international standard setters on the gold standard for nature risk assessment and reporting, the European Sustainability Reporting Standards (ESRS) has specifically name-checked the TNFD framework as being the fundamental starting point for institutions to begin their journey to map, measure and manage their nature risks.</p>		
Budget	Original Amount £m	Revised Amount £m	Change Amount £m
	£4,501,855	£6,501,855	£2,000,000
Project Start & End Date	Original start date	Original end date (Project closure)	Amended end date (Project closure)
	June 2021	September 2023	February 2025
Other projects/ Programmes impacted by change	N/A		
Is the change Novel or Contentious	N/A		
DevTracker link to original business case	DevTracker Programme GB-GOV-7-TNFD-PO002 Documents (fcdo.gov.uk)		

2. KEY DIFFERENCES (CHANGES TO ORIGINAL FULL BUSINESS CASE)

Summary reference table to help the approver understand the key changes from the original business case.

- Indicate if each case has changed or not.

- If it has, in one sentence summarise the change.

Full detail of the change is requested later in the template in sections below.

Strategic Case: Strategic case remains the same but has been supplemented since June 2021 by additional nature-related goals and commitments, including at UNFCCC COP26, the Global Biodiversity Framework agreed at CBD COP15, and the 2023 Green Finance Strategy.

Economic Case: A new appraisal of options for achieving the impact set out in the Theory of Change was conducted, and a new Value for Money assessment was undertaken.

Commercial Case: There is no change in the Original Business Case’s commercial section in that this further element will be funded via a direct grant award as before.

Financial Case: There is no fundamental change in the Financial Case, aside from a new Accounting Officer Tests assessment.

Management Case: The Management Case and MEL methods remain largely the same. There is a plan for reporting against an additional ICF KPI indicator and a new plan concerning the evaluation.

3. INFORMATION

3.1 What is the project’s background and Strategic Objectives?

The UK government has been instrumental in providing funding and political support for the global, market-led, and science-backed TNFD initiative. The aim of the TNFD is to generate decision-grade natural capital reporting data that can facilitate the realignment of global financial flows in nature positive directions. The TNFD has been designed as a vehicle to change behaviour and investment decisions amongst financial institutions and corporates globally and seeks to provide recommendations and guidance to a wide range of market participants, including investors, analysts, corporate executives, board members, regulators, stock exchanges and accounting firms.

The TNFD was established in response to the growing appreciation of the need to factor nature into financial and business decisions. The underlying rationale for the TNFD is that through established market practice of corporate reporting, better information provided by companies, and available to financial providers can:

- Help improve the risk management and resilience of organisations in the face of growing risks to their business and capital portfolios, as a result of their impacts and dependencies on nature.
- Help identify and enable new solutions and business models that have a lower impact, or positive impact, on the planet and thus bring about a shift in the flows of global finance towards nature positive outcomes.
- Contribute to the global goal of halting and reversing nature loss by 2030 and living in harmony with nature by 2050 as set out in the Kunming-Montreal Global Biodiversity Framework (GBF).

3.2 What is the reason for the change?

Current Situation

The UK government has been one of the largest donors to the global, market-led, and science-based TNFD programme (October 2021 – September 2023), whose mission was to produce nature-related risk management and disclosure recommendations for organisations to report and act on evolving nature-related risks and opportunities.

The TNFD achieved its objectives for the ‘design and development’ phase, culminating in the publication of its final recommendations and package of additional guidance in September 2023. The TNFD’s ‘design and development’ phase encompassed significant technical work, stakeholder engagement and communications activities.

Proposal for additional funding

Defra’s funding for the TNFD’s ‘design and development’ phase concluded in July 2023. This Business Case Change Control Note recommends providing an **additional £2 million funding** for the TNFD over 2024 – 2025 to support the TNFD’s uptake phase. The principal aim of the TNFD’s uptake phase is to scale market adoption of the TNFD’s recommended disclosures globally over time. To this end, the TNFD will seek to deliver on the following objectives:

- Broadening uptake and adoption of the TNFD recommendations across sectors, geographies, and market segments (encompassing corporates of different sizes and different types of financial institutions).
- Increasing disclosure ambition over time - encouraging market participants to ‘get started’ with some TNFD-aligned nature-related disclosures and increasing the number, depth, and quality of their nature-related disclosures over time.

Defra’s funding will support capacity building, facilitate ongoing technical developments aligned with the broader integrated reporting sustainability goals of the UK government, support communications efforts, and help to scale up market awareness and voluntary adoption of the TNFD recommendations through engaging with a broader range of relevant stakeholders. It will also support the work of the proposed Global Nature-related Public Data Facility and the Green Finance Institute (GFI)-led TNFD UK National Consultation Group, work on developing a prototype for nature integration into transition planning frameworks, executive training initiatives and courses based on the TNFD recommendations and implementation guidance, the establishment of a Nature Risks Evidence Base, in addition to targeted engagement and data sharing on nature risk scenario development.

These activities would continue to ensure that UK green finance policy and the pledges made under the Global Biodiversity Framework are translated into effective action. Additional UK funding would enable the UK to play an invaluable role in supporting the next phase of the TNFD’s activities, including through forums such as the TNFD Stewardship Council.

3.3 What is the total and additional funding required?

The original Defra Business Case, as signed off in June 2021, amounted to ~£2.8m. An additional ~£1.6m was added to the programme value through the TNFD African Voice Addendum. We

propose adding an additional £2m to the total programme value to support the TNFD’s uptake phase.

Source of changed budgets and detail of the additional funding

The funding has been secured from underspend from the ODA budget allocation pertaining to the current Spending Review period. The additional funding would contribute towards meeting the ICF target to spend £3 billion on nature from the £11.6 billion ICF budget for FY21/22-FY25/26. This funding qualifies as ODA spend as the intended programme impact is to promote a nature positive economy for sustainable development and poverty reduction. The programme will continue to work with financial centres in emerging economies, as well as developed economies, to maximise its impact on poverty reduction.

The budget breakdown for the £2 million by financial year would be as follows:

FY2023/24: £240,000

FY2024/25: £1,760,000

Defra’s contribution will be a grant, and has been earmarked for the following activities (*more detail in Section 3.5*):

<u>Funding Activity</u>	<u>Amount</u>
General TNFD Secretariat – resourcing, research, stakeholder engagement, working groups, technical support, data and tools development, travel, communications, engagement at key international summits, scaling of market awareness, and supporting uptake of the TNFD.	£500,000
Global Nature-related Public Data Finance Facility	£500,000
GFI – TNFD UK National Consultation Group	£250,000
Nature Transition Plan	£250,000
Executive Training	£250,000
Nature Risks Evidence Base	£150,000
Nature’s role in systemic risks/financial stability	£100,000

Payment Schedule

Defra’s funding will continue to be paid to GFI PMO Ltd, a separate entity that the Green Finance Institute set up to host the TNFD Secretariat. Please see below a breakdown of the proposed payment schedule:

Date	Amount

February 2024	£240,000
May 2024	£455,000
August 2024	£430,000
November 2024	£430,000
February 2025	£445,000

Detail of total funding

The TNFD receives funding from multiple sources, including governments and philanthropic organisations. The total projected funding contributions from various funding sources for the TNFD’s uptake phase are as follows:

Estimated contributions for the TNFD’s uptake phase	
German Government’s International Climate Initiative (IKI), <i>re-granted via UNDP (2023 – 2029)</i>	£4,733,448
Defra, <i>with £250,000 ringfenced to GFI (2024 – 2025)</i>	£2,000,000
USAID, <i>re-granted by UNDP</i>	£362,850
Macdoch Foundation	£232,000
Norwegian Government’s International Climate and Forest Initiative (NICFI), <i>re-granted by Global Canopy (to be disbursed in 2024)</i>	£180,235
Secondments (currently from UNEP FI, Global Canopy)	None beyond March 2024
In-kind (We estimate we have secured pro-bono support from consulting firms of approx. £4m)	None at present for TNFD uptake phase
Total estimated contributions (not including Defra’s allocation for final evaluation)	£7,508,533

Note: exchange rate EUR/GBP=0.87; USD/GBP=0.82 as of 16 Oct 2023

As of November 2023, Defra’s funding contribution will constitute 27% of the total budget. The total indicative TNFD budget can be found at Annex A.

The TNFD’s ‘design and development’ phase was funded by the governments of Australia, France, Germany, the Netherlands, Norway, Switzerland, and the United Kingdom, in addition to the Children’s

Investment Fund Foundation (CIFF), the Global Environment Facility (GEF), the Macdoch Foundation, and the United Nations Development Programme (UNDP).

RDEL or CDEL (ODA - ICF %)

The costs of this programme continue to be RDEL, as none of the spend meets the Consolidated Budget Guidance (CBG) definition for capital spend. 100% of the £2m funding can be classified as 'International Climate Finance' (ICF).

What is the demand for additional funding and absorption capacity of the organisation?

The TNFD requires additional funding to deliver TNFD uptake activities at the pace and scale necessary to achieve systemic change. The TNFD Secretariat (as hosted by GFI PMO Ltd) is administratively supported by the Green Finance Institute and can easily absorb additional funding to support staff resourcing and core processes. The TNFD has a strong record of collaborating with partners on various projects and initiatives, and additional funding can also enable the scale up of TNFD activities through effective collaborations with third parties.

3.4 Summary of performance to date

The TNFD has been a high performing programme to date, scoring an A+ in both the 2022 Annual Review and the 2023 Programme Completion Review, signifying that it has moderately exceeded expectations for the 'design and development' phase.

The TNFD undertook a two-year 'design and development' phase to build, test, consult and launch the TNFD framework and disclosure recommendations. The UK's £2.8m funding contribution was used to fund the TNFD Secretariat (including the core TNFD team), research, stakeholder engagement, working groups, technical support, data and tools development, travel, communications, and engagement at key international summits. The TNFD set up a robust architecture to support its operations, including the TNFD Taskforce, TNFD Forum, TNFD Stewardship Council, and Knowledge Hub.

The TNFD achieved its core deliverables, namely the release of four Beta TNFD frameworks followed by the global launch of the final TNFD recommendations (and package of additional guidance) in September 2023, on time and on budget. The TNFD's comprehensive 'open innovation' approach enabled it to benefit from the expertise of wide-ranging scientific, corporate, financial, and regulatory institutions. 208 pilots of the beta framework, spanning multiple sectors and jurisdictions, were undertaken to support the TNFD's iterative development process. Since the launch of v0.1 of the beta framework in March 2022, over 3,400 pieces of feedback were received from a wide range of stakeholders over four draft versions, with substantial feedback coming from over 45 different countries. The TNFD's institutional support base, the TNFD Forum, has grown to over 1200 members, and 19 Knowledge Partners – from science bodies to standards organisations - were assembled to support the development of the framework. The TNFD launched 11 Consultation Groups (both at a regional and national level) across the globe to expand awareness about the TNFD and to encourage feedback and pilot testing of the framework. To accompany the various

Beta Frameworks, the TNFD published guidance on topics such as stakeholder engagement, in addition to tailored guidance on scenarios and economic sectors. The results over the past year suggest the TNFD has effectively raised awareness amongst both public and private institutions on the importance of addressing their nature-related risks, impacts, dependencies, and opportunities, and has enhanced their understanding of how to monitor and tackle them.

The TNFD has undertaken an active communications approach, using international media outlets, the TNFD website, LinkedIn, event attendance, and international visits to disseminate messaging and build understanding, secure significant media and opinion leader interest, and engage with critical stakeholders. The TNFD has held more than 150 briefing events around the world and has enabled market participants to learn from each other's pilot testing experience. Examples of the high-profile events that the TNFD has proactively participated in or presented at include the UNFCCC COP26 and CBD COP15 summits, the World Economic Forum in Davos, the G20 Sustainable Finance Working Group meeting, and the G20 Finance Ministers & Central Bank Governors. The TNFD has also secured a strong mandate from global policy makers, including support from G7 leaders in the Hiroshima Leaders' Communique in May 2023.

At the outset, it was recognised that the availability and capability of decision-useful quality data and analytics represented a critical success factor for achieving the TNFD's goals of assessing nature-related risks and the conditions of nature. Consequently, the TNFD set up a Nature-related Data Catalyst, which has over 251 participating data firms (as of October 2023). The Data Catalyst has documented the data sets that can be used at every stage of the TNFD process. It has pursued a 'leading indicators' approach, developing a tiered set of 'core global' and 'core sector' disclosure metrics that are relevant across sectors and reflect global policy priorities. This approach has provided report users with comparability across and within sectors, while providing report preparers with flexibility, reflecting the differences in nature-related issues across sectors and business models.

Core to its work, the TNFD has taken an integrated view of nature and focused on the identification, assessment, management and disclosure of nature-related dependencies, impacts, risks, and opportunities. The TNFD framework and recommendations have been designed to leverage, to the greatest extent possible, existing tools, frameworks, and approaches already in use and to align as much as possible with additional tools, frameworks and standards in development, including work of the Task Force on Climate-Related Financial Disclosures (TCFD), the standards work of the International Sustainability Standards Board (ISSB), and complementary tools such as those for target-setting being developed by the Science Based Targets for Nature (SBTN).

Overall, the operating context remains positive for the TNFD, with a growing proportion of private and public sector institutions being increasingly cognisant of the materiality of nature-related risk to their operations, outlook, and resilience.

KPI15 on transformational change

The TNFD programme was assessed using ICF KPI15 (which assesses the extent to which the programme can be deemed likely to deliver transformational change), and was awarded the score of '5', which signifies that there is substantial evidence that suggests transformative change is likely or already occurring). The TNFD has taken critical steps to engage with key stakeholders and regulators, has effectively raised awareness through webinars, roadshows, and engagement events, and has overseen extensive pilot testing of the TNFD's beta frameworks with organisations across geographies and sectors. The TNFD has also significantly exceeded expectations in terms of the scale and breadth of TNFD Forum membership.

Value for Money

A Value for Money assessment was undertaken as part of the Programme Completion Review 2023, assessing programme performance against the following factors: economy, efficiency, effectiveness, and equity. The assessment demonstrated that Value for Money considerations were satisfactorily accounted for and that the programme could demonstrably claim to constitute good Value for Money.

3.5 What are additional expected benefits of the budget or other changes?

What are the expected results and benefits of the additional investment?

Defra's £2 million funding will be used to support the TNFD's core goal of encouraging and scaling voluntary market adoption of the TNFD's recommendations. To deliver on this core goal, the TNFD has identified four priority focus areas for the uptake phase:

- **Stakeholder Engagement** – Expand and deepen engagement with a wide range of audiences to support voluntary adoption of the TNFD recommendations (including UNFCCC and UN CBD) and build broader market awareness and confidence to commit to specific actions on nature risk (including disclosures).
- **Capacity Building** – Create a range of TNFD-related capacity building initiatives, including data initiatives and education/executive training initiatives, to help facilitate adoption of the TNFD recommendations. This will be undertaken through a combination of independent and collaborative ventures.
- **Communications** – Continue to execute communications activities, such as media engagement and events, to support and promote the work of the TNFD.
- **Technical development** – Support ongoing development of additional guidance to aid market participants with their implementation of the TNFD recommendations and contribute to collaborative initiatives with the aim of supporting concrete actions to address barriers to market adoption. The TNFD will also continue to produce sector and biome guidance on a rolling basis over the coming two years.

To support the delivery of these four priority focus areas, Defra has earmarked funding for the following specific purposes and workstreams:

- **General Secretariat Funding** – This will cover general costs relating to the TNFD's work for the uptake phase, including research, technical support, communications, travel, data and tools development, the development and maintenance of Working Groups, engagement at

key international summits, and support for Secretariat costs and salaries. Specific examples of this work will include developing a broader 'Community of Practice' who will have an additional level of engagement on TNFD content, strengthening working relationships with voluntary standards setting organisations and multilateral forums and developing a 'Sustainability Reporting Knowledge Hub'.

- **Global Nature-related Public Data Facility** – This will provide catalytic funding to enable steps to be taken towards the development of a Global Nature-related Public Data Facility, which will represent the nature equivalent of the Net-Zero Data Public Facility. Access to comparable, high-quality underlying data is essential for enabling accountability and accelerating action. It is envisaged that this facility would act as an open data repository to allow stakeholders to easily access key nature-related data and commitments and assess the progress of businesses and financial institutions towards these commitments.
 - TNFD's role so far: During the 'design and development' phase, the TNFD led a consortium of 13 organisations that examined the case for a Global Nature-related Public Data Facility. The findings of the Scoping Study that was produced were shared with the G20 Sustainable Finance Working Group in June in India and was publicly released in mid-August in Brazil. It attracted positive interest from governments, media, and market participants alike.
 - TNFD's role moving forwards: The TNFD will play a coordination role to advance this initiative with a network of partner organisations. It will commence with a consultation process with a wider group of stakeholders to fully map the terrain of existing capabilities, initiatives, and perspectives. It will then move to blueprint a preferred governance, funding, and operating model for the proposed Facility. It will then proceed to a landscape-scale pilot test of the preferred model to test its feasibility and scalability to a global level, concluding with a presentation of the outcomes of the pilot testing.
- **Green Finance Institute (GFI)-led TNFD UK National Consultation Group** – The TNFD will coordinate the expansion of the UK TNFD National Consultation Group based on clear evidence of market demand and in collaboration with the GFI as the local implementation partner. The Consultation Group represents a community of interest and practice for the TNFD.
- **Nature Transition Planning** – The TNFD will develop a workable prototype for nature integration into transition plan frameworks (including nature-related target-setting), in alignment with the UK Transition Plan Taskforce (UK TPT) and the Glasgow Financial Alliance for Net Zero (GFANZ) best practice. This will help to ensure a joined-up approach for market participants.
- **Executive Training** – The TNFD will support the development of initiatives and courses for executive training and education based on the TNFD recommendations and implementation guidance. The TNFD will provide and quality assure the content in these courses, while experienced training and executive education development partners will provide the course

design, pedagogy, development, delivery and sale channel experience to take the TNFD content to market participants. The TNFD envisages both online and in-person delivery formats being used for the courses – across geographies, sectors, and languages. One example of proposed training includes ‘Awareness Training for regulators’ to help them understand the technical details of the TNFD’s recommendations and how they might interface with market regulation considerations. The courses will build upon the ‘TNFD in a Box’ which represents the baseline TNFD training offering.

- **Establishment of a Nature Risks Evidence Base** – The TNFD will build a ground-truth, institutional and sector level, publicly shareable evidence base that clearly illustrates where, how, and why nature risks are proving to be more compelling, immediate, and financially urgent than climate risks.
- **Evidencing nature’s role in systemic risks/financial stability** – the TNFD will continue targeted engagement and data sharing on nature risk scenario development with the Network for Greening the Financial System (NGFS) to build robust evidence of how nature risks create systemic financial risks. This will supplement existing scenario guidance.

What is the expected impact on VfM?

The previous economic rationale for providing additional funding to the TNFD remains relevant. The global economy is built upon nature, however the value of the services and goods that nature provides is perennially undervalued by current global market mechanisms contributing to high rates of biodiversity decline. This negative externality is further exacerbated by direct financial flows towards activities that harm nature.

By providing decision-grade information for financial and corporate institutions, the TNFD will enable institutions to make decisions that shift financial flows towards nature positive outcomes and manage the long-term interdependencies with the natural environment by better understanding the risk around business decisions.

The VfM assessment of the TNFD from the previous programme completion review was conducted following the end of the design and development phase of the programme. The assessment was undertaken in-line with FCDO guidance, and the programme was scored against the following four 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?

The programme was adjudged to have met necessary VfM standards in all four categories during the previous phase of the programme's development. This is expected to continue during the upcoming phase of the TNFD due to the below reasons:

- Economy – the TNFD Secretariat will continue to operate under a commitment to openness, sustainability, competition, and transparency. The Secretariat has implemented robust internal processes to ensure that recruitment and external procurement is done prioritising the principles of quality, price and fairness and zero discrimination.
- Efficiency – the TNFD Secretariat has a track record of meeting or exceeding output milestone targets, specifically with regards to raising awareness of the programme and increasing engagement. An example of this can be seen with the successful promotion of the TNFD resulting in over 200 companies and financial institutions participating in the pilot testing of the framework, exceeding the target of 100. The 'open innovation' approach, which seeks to iteratively engage a range of key stakeholders through the TNFD development process is fundamental to this. The TNFD is also able to benefit from the learning from the Taskforce on Climate-Related Financial Disclosures (TCFD) to enhance its capacity to maintain efficiency.
- Effectiveness – the uptake phase of the TNFD is crucial to the long-term effectiveness of the TNFD, and in the programme achieving long-term impact of delivering transformational change. In the past, the TNFD has provided evidence demonstrating its effectiveness in building engagement in the framework from all G7 and G20 countries. Further to this, market awareness of the programme was assessed with an online stakeholder survey. 85% of respondents assessed the disclosure recommendations, the LEAP (Locate, Evaluate, Assess, Prepare) process, and the impact of the Beta Framework of the TNFD on their understanding of nature as "useful" or "very useful."
- Equity – The TNFD is committed to fulfilling its duties in accordance with the International Development Gender Equality Act (2014), thus considering the programme's impact on gender equality. The TNFD has also worked with the International Indigenous Forum on Biodiversity and the International Union for Conservation of Nature to facilitate engagement with international indigenous groups in recognition of the significance of engaging with indigenous people.

3.6 What is the approach to implementation? (Management Case)

The Green Finance Institute (GFI) will continue to host the TNFD Secretariat and will provide administrative support to the programme. The TNFD will continue to be global, market-led, and science-backed in the scope of its delivery.

Gender Equality and Social Inclusion (GESI):

This programme continues to comply with the International Development Gender Equality Act (2014), which sets out our obligation to consider gender equality and track results for women and girls. The TNFD collects gender-based data on usage of the platforms it provides, and monitors gender representation in its Secretariat, resourcing, and membership. This data was reported on and assessed during the ODA review processes for the TNFD's 'design and development' phase and will continue to be so for the TNFD's uptake phase.

With the focus of the TNFD being the integration of nature into business and financial decision-making at a corporate level, the TNFD does not directly engage with the world's poorest and most vulnerable, in a manner similar to other ODA programmes. However, the TNFD recognises the critical role that indigenous peoples play as custodians of high-biodiversity ecosystems and consequently has ensured that a comprehensive consultation process with key indigenous community representatives has been integrated within its 'open innovation' approach. In recognition of the importance of indigenous peoples' participation in the TNFD development process, Defra and the TNFD agreed to set a Log-frame Indicator on indigenous community participation. The TNFD will continue to ensure 'Indigenous Peoples and Local Communities' (IPLCs) are engaged and will ensure relevant targets are incorporated within MEL processes. IPLC activities pertaining the uptake phase will include designing and delivering 'Familiarisation training' between business leaders and IPLC leaders to provide the foundation for better quality stakeholder engagement on the part of business and financial institutions and exploring collaborative capacity building initiatives related to TNFD stakeholder engagement guidance.

Safeguarding considerations:

GFI's Safeguarding Policy (published in February 2021) was attached as Annex F to the original Business Case. GFI has not revised its Safeguarding Policy since then.

Alignment to Paris Agreement:

The UK has committed to ensure that all new bilateral UK ODA aligns with the Paris Agreement in 2023. The proposed additional £2m for the TNFD's uptake phase will help to deliver the goals of the Paris Agreement, signed at UNFCCC COP21. The TNFD programme's ambition to integrate nature-related risks, opportunities, impacts and dependencies into corporate and financial decisions will help to reduce environmental harm. The TNFD Secretariat is hosted by the Green Finance Institute (GFI), whose aim is to accelerate the transition towards an environmentally sustainable and resilient economy by catalysing investment in net zero and nature positive outcomes. Furthermore, as a classified International Climate Finance (ICF) programme, the TNFD programme will identify and record ICF spend and results (see the Management Case for more information). The TNFD does not go against the UK government's fossil fuel policy, nor does it go against partner countries' own climate plans.

Due Diligence:

The Green Finance Institute (GFI) was established through grant funding from BEIS and the City of London in 2019. Defra Commercial Group will conduct proportionate due diligence to assess the GFI as part of the process of developing a new Grant Agreement. The TNFD Secretariat (hosted by GFI)

will continue to conduct proportionate due diligence to assess the financial viability and fraud risk of contractors and grant recipients on a risk weighted basis, for example when granting or contracting with small or lesser-known entities.

3.7 Describe any key changes to the original business case including the Theory of Change or new evidence from ongoing monitoring, evaluation or learning work.

- **Strategic Case**

Strategic context and objectives

The strategic context remains the same as under the Original Business Case. The case for action continues to be driven by the fact that unprecedented biodiversity loss and landscape degradation around the world is resulting in greater volatility and uncertainty around the goods and services that ecosystems provide, and that the physical, litigation and transition risks associated with nature degradation have significant macroeconomic and financial implications.

In addition to the strategic alignment set out in the Original Business Case in June 2021, the case for the TNFD has been compounded by additional nature-related goals and commitments. Indeed, the UK government recognises that that TNFD represents the principal mechanism through which to operationalise Target 15 of the Kunming-Montreal Global Biodiversity Framework (KMGBF), concerning reporting on biodiversity-related risks, dependencies, and impacts, which was agreed at CBD COP15 in December 2022. Indeed, the TNFD will play a pivotal role in empowering investors with decision-grade nature-related data to significantly align capital allocation in nature positive directions, to scale up private finance to support the protection and restoration of nature, and to help close the \$700 billion biodiversity finance gap, which is required to reverse biodiversity loss by 2030.

The TNFD also represents a powerful example of translating UK green finance policy commitment into real world delivery with international market participation – in particular, delivering on the updated 2023 Green Finance Strategy’s commitment to accelerate the shift to a green global financial system and catalyse green financing globally, including in emerging and developing markets.

Theory of Change

Aspects of the Theory of Change have been updated to reflect the evolution of the programme from its ‘design and development’ phase towards its ‘global uptake’ phase. The overall impact, assumptions and drivers remain the same, but the outcomes, outputs, and activities have been revised to account for the programme’s new goals. The new draft Theory of Change can be found at Annex B.

ODA eligibility: Alignment with the International Development Act 2002

Context – link between biodiversity loss and poverty:

This funding qualifies as ODA spend as the intended programme impact is to promote a nature positive economy for sustainable development, poverty reduction, and inclusive prosperity. Biodiversity underpins the ecosystems goods and services upon which societies depend. Poor people and indigenous communities in developing countries are most directly dependent on these goods and services for subsistence and livelihoods, and therefore are most affected by environmental degradation and biodiversity loss. Indigenous peoples nurture 80% of the world's cultural and biological diversity and occupy 20% of the world's land surface. Also, the world's 36 biodiversity hotspots are home to around 2 billion people, including some of the world's poorest, many of whom rely directly on healthy ecosystems for their livelihood and well-being. Biodiversity loss therefore undermines food security, the nutrition and health of the rural poor, and increases vulnerability to external shocks. For example, tropical deforestation can lead to local ecosystem collapse, which can cause stark reductions in rainfall and desertification of farmland. In addition, the effects of biodiversity loss perpetuate gender inequality, since women have a greater dependency on the natural world for their livelihoods in developing countries. For more information on the links between biodiversity loss and poverty, please see pp. 7/8, 10, 15, and 20 in the TNFD Original Business Case.

Examples of how the TNFD intervention has targeted and benefitted ODA-eligible countries:

Over the TNFD's 'design and development' phase, Defra funding has played a catalytic role in enabling private sector organisations from developing countries to participate in the TNFD's iterative development process. For example, as part of the original programme, Defra specifically earmarked funding with the aim of ensuring that the TNFD recommendations were fit for purpose across African contexts by securing engagement among African financial institutions and by helping to build awareness and institutional capacity on nature-related financial risk management within African countries. Defra funding was also used to establish and launch the African Natural Capital Alliance (ANCA) as a primary vehicle for driving advocacy and engagement. Furthermore, TNFD Consultation Groups were launched across several developing countries to expand awareness about the TNFD and encourage feedback and pilot testing of the framework, including in Brazil, Colombia, India, Kenya, South Africa, and the ASEAN region. Moving forwards, these TNFD Consultation Groups will focus on continued outreach and engagement and supporting uptake of the TNFD in their respective nations and regions.

Moreover, in recognition of the critical role that indigenous peoples play as custodians of high-biodiversity ecosystems, the TNFD initiative partnered with the International Indigenous Forum on Biodiversity (IIFB) and the International Union for Conservation of Nature (IUCN) to undertake a comprehensive consultation with key indigenous community representatives to enable them to feed into the TNFD development process.

How will the TNFD programme help?

The TNFD will play a pivotal role in ensuring that nature is accounted for in financial and business decision-making in developing and developed countries and will support the realignment of private financial flows towards the restoration of nature and away from nature harmful activities (which are increasingly associated with unstable and unreliable incomes). The mobilisation of private finance is crucial if we are to meet the globally agreed CBD COP 15 goal of halting and reversing biodiversity loss by 2030 and Sustainable Development Goal 14: 'Life Below Water' and Goal 15: 'Life on Land'. The efforts of the TNFD will cumulatively contribute towards SDG Goal 1: 'No Poverty', Goal 2: 'Zero Hunger', Goal 11: 'Sustainable Cities and Communities', and Goal 12: 'Responsible Consumption and Production'.

Additional funding for the TNFD's uptake phase will support businesses and financial institutions in developing countries to engage with the TNFD to manage and disclose their actions on nature. This will help improve the risk management and resilience of private sector organisations in developing countries in the face of growing risks to their businesses and portfolios and will help them continue to support the incomes and livelihoods of their employees and wider stakeholders. The additional funding will also support the TNFD's efforts to work with financial centres in emerging economies, including with investors, analysts, corporate executives, board members, regulators, stock exchanges and accounting firms, to help scale market adoption of the TNFD. This funding is vital for delivering on the TNFD's desired outcomes given that market participants in developing countries are more likely to face significant challenges in tackling biodiversity loss, owing to challenges relating to limited capacity, counterparty data availability, regulatory expectations and support, and difficulties attracting the skills and talent with relevant expertise on nature risk. For more information, please see Section 3.5.

The programme will track the TNFD's focus on ODA eligibility countries and poverty reduction through its monitoring and reporting activities, including through its quarterly progress reports. The programme will also explore options for undertaking an evaluative assessment on how TNFD-style approaches and disclosure mechanisms can contribute to poverty reduction, in order to maximise the TNFD's potential impact.

Opportunities for developing countries presented by the TNFD:

Delivering the nature positive transition will require significant additions to the natural capital upon which people in developing countries rely for their income and livelihoods. Biological resources (such as timber, fisheries, and productive land) make up a large proportion of the 'wealth' of developing countries and are a comparative advantage on which economic development can be built. Supporting TNFD uptake presents significant opportunities for businesses and financial institutions in developing economies - helping them to:

- Leverage their natural capital, engage more sustainably with the natural resources and ecosystem services they depend on and impact, and invest in nature positive actions that will contribute significantly to improving livelihoods, such as enhanced food and fibre production and related manufacturing.

- Inject resilience into their business models and financial portfolios.
- Unlock new potential by improving brand value and opening access to new markets, products, and revenue streams. One such example could include leveraging expertise across the finance and science sectors to utilise new technological developments for monitoring and restoring nature in developing countries.

Supply Chains

A significant number of businesses and financial institutions that are based in developed economies have global supply chains which have major impacts on nature in developing countries, and often represent the key drivers of environmental degradation and biodiversity loss in developing countries. However, evidence suggests that these private sector organisations are neither sufficiently measuring, nor taking action to reduce, their impacts on nature – with data released by CDP highlighting that nearly 70% of companies disclosing data through CDP did not assess the impact of their value chain on biodiversity in 2022.

By helping businesses and financial institutions globally to identify and better understand their interfaces with nature and providing a mechanism for ensuring accountability and driving change, the TNFD will ensure that private sector organisations take action to promote the transition towards nature positive pathways across their operations, supply and value chains, and portfolios. Indeed, with the sourcing, risk, and sustainability teams responsible for managing these global supply chains (in addition to the executives and board members responsible for overseeing them) being overwhelmingly based in developed countries, the TNFD must engage with these teams if it wants to help effect positive change in upstream supply chains that are based in developing countries.

Moreover, the data that TNFD reports will generate will empower investors to make more informed capital allocations aligned with nature positive directions. For example, this could result in transnational companies taking action to stop activities in their supply chains that are leading to tropical deforestation in developing countries or instituting a shift away from nature-negative agricultural practices and instead towards sustainable or regenerative farming.

Conclusion

As the total value of private finance far exceeds the public finance available, it is crucial that efforts are made to facilitate the realignment of global private financial flows towards nature positive outcomes. This will enable us to close the Biodiversity Finance Gap and achieve our goals to reverse and halt biodiversity loss by 2030 in line with the Global Biodiversity Framework. The realignment of private financial flows towards nature positive outcomes will particularly help developing countries since they are host to the world's highest concentrations of biodiversity. This, in turn, will maximise outcomes for sustainable livelihoods and poverty reduction in developing countries.

The programme management team will collaborate with ODA MEL teams and the TNFD Secretariat to finalise the Theory of Change and Log-frame within three months of ODA Board authorisation (in

line with ODA guidance). They will ensure that appropriate KPIs are developed in the Log-frame on ODA eligibility, poverty reduction and gender (and other) inequalities. The Defra programme management team will also collaborate with other donor governments to ensure that a consistent approach is developed regarding the development of appropriate KPIs pertaining ODA eligibility, poverty reduction and gender inequality. The programme team will ensure that the UK uses its influence to drive learning and build the evidence base on the use of nature-related financial disclosures, including potentially conducting a review of the existing evidence to inform discussion, and using consultation groups. The programme team should report back to the ODA Board (or delegate) on a 6 monthly basis on how TNFD can contribute to poverty reduction and reduced gender inequality in ODA eligible countries.

- **Economic Case**

The assessments from the original Economic Case remain valid. Options were assessed against the objectives set out in the original strategic case, as summarised below:

1. Responds to the Dasgupta Review's call to manage nature-related financial risk and uncertainty and effectively integrates nature-related risk management into markets.
2. Enables better decision-making through decision-grade data for use by financial and corporate institutions.
3. UK leadership, in line with commitments in the Green Finance Strategy and Integrated Review, catalyses market-led action on enhancing nature-related disclosures.

Alongside a further two criteria:

4. Costs, including Defra's management costs (i.e. both resource and financial).
5. Transformational change – will the programme contribute to shifting the global economy away from environmentally destructive activity and towards a nature-positive economy?

Appraisal options

For achieving the above objectives and achieving the impact set out in the Theory of Change, we considered two options of:

- i) Discontinue funding and only support TNFD uptake through policy work.
- ii) Spending £2m to support TNFD global uptake efforts.

Option 1: Support uptake only through policy work

Defra would not fund the TNFD but would continue its policy work in this area. This would include exploring options to mainstream the TNFD's recommendations into UK policy and regulatory architecture, in a manner that is aligned with wider international integrated reporting goals, supporting the integration of nature risk reporting (in a TNFD-aligned manner) into transition plan

reporting requirements, and exploring opportunities for the TNFD and wider nature-relevant policy delivery goals to be integrated in the evolution of emerging Sustainability Disclosure Requirements, such as the Green Taxonomy and International Sustainability Disclosure Standards (ISDS). However, this policy work is a necessary but not sufficient contribution to Defra's green finance policy objectives. While UK policy work can contribute to the enabling environment needed to shift financial flows towards nature positive outcomes, funded implementation is needed to translate policy ambition and strategic objectives into tangible transformational change on the ground.

A decision to only support TNFD uptake through policy work would result in no additional costs to Defra and there would be no resource costs of time associated with programme implementation and monitoring. However, there is a high risk that without UK funding, the TNFD Secretariat would not be able to deliver all the goals concomitant with its uptake workplan for encouraging and scaling voluntary market adoption of the TNFD recommendations. The ultimate impact of the programme and its ability to achieve its outcomes would therefore be reduced. Widespread uptake of the TNFD across sectors and geographies has game-changing potential for catalysing financial flows in nature positive directions. Nonetheless, the absence of UK funding could result in the programme being unable to deliver at the pace and scale necessary to achieve the Global Biodiversity Framework goal of halting and reversing biodiversity loss by 2030.

Option 2: Spending £2m to support TNFD global uptake efforts

Defra would, alongside other donors, contribute £2m to the TNFD. This funding would support the delivery of the UK's commitment, under the 2023 Green Finance Strategy, to accelerate the shift to a green global financial system and catalyse green finance globally. This funding would similarly help to deliver the goals of the Global Biodiversity Framework, as the TNFD is recognised as the principal mechanism through which to operationalise Target 15 of the Global Biodiversity Framework. The proposed additional £2m funding would build upon the catalytic support that the UK government has provided to the TNFD for its 'design and development' phase and would enable the TNFD to achieve the goals of the crucial uptake phase – notably supporting capacity building, scaling of market awareness, and adoption of the TNFD framework.

At present, the total TNFD budget is projected to be £7,508,533 over six years for the uptake phase. Defra's £2m will represent 27% of the total TNFD budget and would be provided over the financial years 2023/24 to 2024/25.

Although it remains important for future technical developments of the TNFD to be market-led, government and philanthropic funding continues to be necessary for the TNFD's uptake phase in order to avoid any conflict of interest, prevent industry 'paying to play', and mitigate potential greenwashing. Given that the TNFD is for use by market participants across sectors and

geographies, it is important that the TNFD initiative is not owned by any one particular industry faction.

Preferred option

In light of the Value for Money assessment conducted in Section 3.5 of this Change Control Note and the considerations outlined in the above Economic Case, we view that providing £2m additional funding represents the highest value for money. It will enable the TNFD initiative to achieve its full potential, thereby maximising desired impacts and outcomes, and represents the best option for tangibly advancing the UK's strategic objectives. The Green Finance Institute (which hosts the TNFD Secretariat) has continued to be a trusted delivery partner, and this option will help to achieve the integration of nature into financial and economic decision-making at a much greater speed and scale than exclusively supporting the TNFD through policy work.

- **Commercial Case**

There is no change to the Original Business Case's commercial section in that this further element will be funded via a direct grant award as before. The Value for Money assessment is established in Section 3.5 of this Change Control Note and in the Economic Case above.

The TNFD Secretariat is administratively supported by the Green Finance Institute (GFI) and operates as GFI PMO Ltd with company registration number 13559729. It has its registered address at International House, 24 Holborn Viaduct, London, United Kingdom, EC1A 2BN.

Justification for Direct Grant Award

This Direct Grant Award route is considered the most feasible option because there are no equivalent interventions that will help Defra achieve the same outcomes. The GFI is unequalled in having the aptitude and capability to deliver on our ambitious and technically challenging programme of work at pace and at scale. Established through grant funding from BEIS and the City of London in 2019, the GFI is an agile private sector facing organisation with market credibility and excellent international connections and is mandated to support the UK government to deliver on its green finance strategy.

The funding and activities are not revenue generating and do not otherwise provide a direct economic benefit to Defra but rather, further the implementation of Defra's policy objectives. Defra's TNFD Policy Lead already represents the UK Government on the TNFD Stewardship Council, which is made up of the TNFD's founding partners and major funders. Following the completion of this proposed additional round of TNFD funding, the Policy team will review their strategic delivery plans and the existing state of play of the TNFD Secretariat to inform the consideration of proposals for subsequent awards.

Subsidy Controls

The Subsidy Control Unit assessed the activities and outputs associated with the proposed £2m additional funding for the TNFD, in line with the principles set out under the UK’s Subsidy Control Act 2022, and confirmed that this proposed additional funding will still not constitute a subsidy.

Fraud Risk Assessment

A Fraud Risk Assessment has been completed as part of the due diligence process for this Business Case Change Control Note. A Fraud Risk Assessment was also undertaken as part of the due diligence process prior to the original TNFD Business Case being signed off in June 2021.

- **Financial Case**

There is no fundamental change to the Original Business Case’s financial section in that most elements such as powers for spending, financial risks, financial management, provisions for Defra to withdraw funding and clawback, and actions taken to ensure Value for Money remain the same. The TNFD Secretariat will continue to drive and deliver the work of the TNFD, and they consequently assume the most significant proportion of the costs.

Please refer to Section 3.3 for key information on the source of changed budgets, detail on additional funding, the payment schedule, detail on total funding, RDEL, and the absorption capacity of the delivery partner.

The total indicative TNFD budget can be found at Annex A.

Defra Resource Costs

The programme will require the below staff dedication (full-time equivalent) from Defra over FY2023/24 – FY2024/25. This has been deemed affordable within Defra’s FLD staff budget.

Grade	Year 1	Year 2
SCS	0.05	0.05
G6	0.1	0.1
G7 (SRO)	0.2	0.2
SEO (PRO)	0.5	0.5
SEO (Analyst)	0.25	0.25

Monitoring, Reporting and Accounting for expenditure

The TNFD Secretariat will continue to provide Defra with quarterly unaudited and yearly audited financial reports for its programme activities. Quarterly Progress Reports will be delivered in line with the Payment Schedule outlined in Section 3.3 above. The Quarterly Progress Reports will continue to confirm what funds have been spent on, that funds disbursed to date have been spent, when future payments are needed. A Programme Completion Review will be undertaken from November 2024 onwards, which will include an assessment of financial performance.

Financial Management

TNFD programme funds will be held in GFI PMO Ltd, which has a ring-fenced bank account. Payments will continue to be made in GBP, and therefore there is no financial exchange risk for Defra.

Financial Sustainability

The TNFD has secured a unique position as a mechanism through which to address nature-related risks, opportunities, impacts, and dependencies, and there are no competing initiatives working with the same amount of global endorsement and relevance. The German Government has committed funding to support the TNFD's uptake phase up to 2029, thus providing financial security and resourcing to the TNFD over the short to medium-term. An effective way of securing the longevity and sustainability of the TNFD over the long-term would be to ensure that the TNFD recommendations are mainstreamed and onboarded within emerging global sustainability standards, such as the International Sustainability Standards Board (ISSB).

Accounting Officer Tests

- Affordability: The funds have been secured from underspend from the ODA budget allocation pertaining to the Spending Review period FY21/22 – FY24/25.
- Feasibility: The Business Case outlines an assessment of delivery risks and the governance, controls, monitoring, and reporting frameworks in place to manage these risks. The TNFD has developed an uptake phase workplan for delivering Defra's key objectives within the intended timescale.
- Propriety: The programme will adhere to the relevant approvals and controls process. As the proposed additional £2m pushed the total programme value over the £5m threshold, the final Business Case will be cleared by the ODA Board. Regular monitoring and oversight will ensure that the programme meets International Development Act 2002 requirements for ODA expenditure.

- **Regularity:** There is adequate legal authority for the spending under the powers in the International Development Act 2002. Any financial commitments will be made in accordance with relevant legislation, the relevant delegated authority, and all requirements specified in HM Treasury's 'Managing Public Money' guidance. This is ODA funded and will be RDEL. It will comply with established UK law and ODA guidance. The use of funds for this proposal is covered by the department's ambit.
- **Value for Money:** A Value for Money (VfM) assessment was undertaken as part of the Programme Completion Review 2023 and as part of the development process for this Business Case Change Control Note. Please see Section 3.5 for more information on the latest VfM Assessment. The assessment involved reviewing key policies, including those relating to procurement and recruitment, and examining programme performance against the following factors: economy, efficiency, effectiveness, and equity. The assessment adjudged that Value for Money considerations were satisfactorily accounted for by the delivery partner and that the programme could demonstrably claim to constitute good Value for Money.
- **Management Case**

The responsibilities and accountabilities for key processes will continue to be the same as what they were in the TNFD's 'design and development' phase for matters such as the Grant Agreement, Annual Review, Monitoring and Assurance, Reporting, and Evaluation. The TNFD's Governance structure also proved effective and will continue to operate as it did during the 'design and development' phase.

Roles and Responsibilities

Programme Management

The PRO and SRO, who sit in IBC's International Nature Finance team, will act as the main contacts for the TNFD on anything relating to the funding and programme management of Defra's ICF funding contribution of £2m, and for any issues that will impact TNFD activities or the delivery of key milestones.

The PRO and SRO will monitor programme implementation and will meet with key TNFD representatives on at least a quarterly basis. Representatives from the TNFD side will chiefly include the TNFD's Chief Operating Officer and the TNFD's Business Manager. These meetings will cover the following topics: implementation, finances, MEL, and risks. On occasion, these meetings will also include Defra's TNFD Policy Lead and a Defra Evidence Analyst. Ad hoc meetings will also be arranged to discuss specific programme management issues, such as the finalisation of the MEL documentation.

The Defra PRO and SRO will ensure that programme activities and outcomes continue to be consistent with ODA funding. The Defra programme manager will track delivery against ODA requirements via the Programme Completion Review, where the extent to which the programme is delivering for ODA will be assessed.

Policy Engagement and Stewardship Council

The Defra TNFD Policy Lead, who sits in the Domestic Greening Finance Team, will continue to support the TNFD Secretariat, and will continue to act as the main contact for the TNFD Secretariat on all matters unrelated to programme management and funding. The role of the Defra TNFD Policy Lead will continue to include engaging with TNFD representatives and other key stakeholders to provide strategic input and to ensure alignment with domestic policies and regulation, including the UK's Green Finance Strategy policy commitments.

The Defra TNFD Policy Lead will continue to sit as the UK Government's representative on the TNFD Stewardship Council, which is composed of the TNFD's founding partners and major funders and receives regular updates about the TNFD's progress towards its vision and mission. The Stewardship Council ensures that appropriate financial accountability to funding partners is in line with funding agreement reporting requirements.

MEL: Monitoring, Learning, and Evaluation

An updated Defra Results Framework, consisting of the Log-frame and Theory of Change, will be finalised in the first three months of the programme, in collaboration with the TNFD Secretariat, and this will be signed off by the SRO, the Defra TNFD Policy Lead, and the ODA Hub MEL Leads. The draft Theory of Change and draft Log-frame can be found at Annex B and Annex C respectively.

Reporting and Monitoring

The TNFD Secretariat will continue to provide Quarterly Progress Reports aligned with the Secretariat payment schedule. The Quarterly Progress Reports will also provide updates on progress against milestones, programme spend, match funding, and risks.

The Defra programme manager will conduct a Programme Completion Review for the programme between November 2024 and February 2025. This Review will use Log-frame Results submitted to Defra by 30th November 2024. The Review will assess whether the programme has achieved its goals and whether it is providing value for money (considering the four Es – economy, effectiveness and cost-effectiveness, equity, and efficiency). It will also cover:

- How the programme has delivered against expected outputs and outcomes (KPIs)
- Risks of the programme
- Commercial and financial performance
- Recommendations and key lessons learned.

ICF: Key Performance Indicators

As a classified International Climate Finance (ICF) programme, the TNFD programme will identify and record ICF spend and results. The programme will be assessed against the following ICF Key Performance Indicators (KPIs):

- KPI12 – Volume of private finance mobilised for climate change purposes.
- KPI15 – Extent to which ICF intervention is likely to have a transformational impact.

Sub-indicators will be developed for these ICF KPIs in the first three months of the programme, in collaboration with ODA MEL leads. In particular, this programme represents an excellent example of KPI15, as the programme ultimately seeks to support the realignment of global financial flows away from nature-negative outcomes and instead towards nature-positive outcomes.

Evaluation

The programme will explore options for commissioning an evaluative assessment with the aim of identifying and sharing key lessons learned and recommendations for future interventions, using the £200,000 allocated to help fund an evaluation in the Original Business Case's TNFD budget. The Defra PRO will develop an Evaluation Plan within the first three months of the Grant Agreement being signed, which will seek to decide the purpose, use and users of this evaluative work, in addition to when and how the findings will be used. The Defra PRO will collaborate with the TNFD when determining the intended focus of the evaluation, helping to ensure that it adds value and supports the constructive evolution of the uptake phase's workplan.

Following discussions with relevant Defra teams, it was concluded that a formal external evaluation (using the £200,000 allocated in the original budget) for the TNFD's 'design and development' phase would not constitute Value for Money for the taxpayer, in terms of both financial and staff resource commitment. As evidenced in the Programme Completion Review 2023, this is a relatively low value, low risk programme in the ODA portfolio meaning that it would be disproportionate for Defra to commission an evaluation for accountability purposes. The programme has also ensured that learning has been an important part of the TNFD's development to date. The TNFD examined the performance and approach of the Taskforce on Climate-related Financial Disclosures (TCFD) and sought to learn lessons and improve on the approach it undertook in its design and development phase. As a result, the TNFD pursued a comprehensive 'open innovation' approach and engaged with multiple pilot partners to ensure widespread participation in the TNFD development process across multiple geographies and sectors.

A separate Defra-commissioned evaluation would also be disproportionate at this time given that an independent, consultant-led TNFD research project is currently being conducted ahead of the full-scale commencement of uptake activities, with the aim of informing any modifications to the general TNFD Workplan for the uptake phase and the commissioning of support from TNFD delivery partners. This research project is producing evidence on lessons learnt for scaling market adoption of global voluntary and mandatory reporting initiatives, including evaluating the strategy that the TNFD has developed for driving market adoption and meeting the capacity needs of market

participants. The funding for this research project comes from the German Government's 'IKI' grant to the TNFD.

Finally, Defra may commission thematic evaluation through a cross-government evaluation resource for the International Climate Fund and learning from TNFD may support synthesis of evidence on biodiversity finance. This would ensure lessons from TNFD are available across government and to wider, external audiences.

Transparency

Existing programme management documentation is published on the UK Development Tracker website (DevTracker). The programme manager will continue to ensure that all future relevant programme documentation is uploaded to DevTracker. Please find the link here to the TNFD programme's DevTracker page: [DevTracker Programme GB-GOV-7-TNFD-PO002 Documents \(fcdo.gov.uk\)](https://www.fcdo.gov.uk/DevTracker/Programme/GB-GOV-7-TNFD-PO002/Documents)

Risk Management

Risks will continue to be managed in the same way as under the Original Business Case. The PRO will assess risk on an ongoing basis and will formally update the Risk Register on at least a quarterly basis following the submission of the Quarterly Progress Report by the delivery partner (which will report on evolving risks and mitigation activities). The evolving risks and proposed mitigation activities will then be discussed during the quarterly programme management meetings with the delivery partner that will immediately follow the submission of the Quarterly Progress Report. The PRO will then report the overall risk rating to the ODA Hub Risk Lead, identifying any specific risks that require escalation.

Risks will be prioritised according to their severity, and will follow the risk escalation process in the event that the following criteria applies:

- The risks worsen and enter the 'severe' or 'major' categories.
- The residual risks remain 'severe' or 'major' even after mitigating actions have been undertaken.
- The residual risks fall outside Defra's risk appetite level.
- Adequate mitigating actions are beyond the scope of the risk managers to implement.

Defra's ODA Board (chaired by the Director-General) provides senior oversight of ODA programmes. Risks and issues will be escalated to the ODA Board through the established risk escalation process, whereby the Board can recommend remedial actions to the SRO if programme performance is off track.

The Risk Register is located at Annex D. The level of risk for this project is rated as **Low**.

Lessons identified and implemented

The TNFD has been keen to learn from comparable past initiatives about ‘what works’ to inform the design of the TNFD’s capacity building interventions. This has helped ensure that the materials and tools the TNFD has developed – either alone or in collaboration with partners – are the most effective and impactful use of the funding and resources available. To achieve this again for the uptake phase, the TNFD will continue to pursue its ‘open innovation’ approach to the development and roll-out of the uptake activities.

A number of key lessons have been learned over the course of the two-year programme. These include:

- **TNFD Taskforce Working Groups:** It was recognised that stronger join-up was required among the TNFD Taskforce’s Working Groups, particularly in instances where significant overlap exists on data, metrics and targets, and the development of specific guidance. Following the identification of this ‘lesson learned’, the TNFD Secretariat reinforced coordination efforts across Working Groups, including weekly coordination meetings of Secretariat members supporting Working Groups, strengthening the role of Working Group 6 in coordinating the TNFD’s sector work, and using the Steering Committee and plenary meetings to resolve any differences of views across Working Groups.
- **Market engagement and communications:** The TNFD’s comprehensive and proactive approach to market and stakeholder engagement has been instrumental to raising awareness on the TNFD and nature-related risk more broadly. In particular, active participation in key summits through TNFD-hosted events, events hosted by partners and stakeholders, and high-level bilateral meetings have proved invaluable in enhancing the profile of the TNFD and achieving buy-in from key stakeholders. The TNFD will continue this comprehensive and proactive approach to engagement and communications for uptake phase activities.
- **Importance of synergies between TNFD and TCFD:** The TNFD took its inspiration from the TCFD. Both initiatives seek to use the power of risk management and disclosure of financial and non-financial information from companies to investors and lenders to shift capital flows towards more sustainable outcomes. The TNFD has recognised the value of harnessing synergies with the TCFD in terms of framework design to avoid repetition, maximise the prospects of achieving integrated climate-nature disclosures, and enhance the likelihood of transformative levels of uptake following its launch.
- **TNFD recommendations:** The TNFD’s 14 disclosure recommendations represents a concise, manageable number of recommendations and have been well received by markets – particularly report preparers because it builds on the 11 TCFD disclosures and adds on three more nature specific disclosures. This represents an approach greatly aligned with climate-nature integrated reporting, that has been received positively by report preparers.

3.9 Implications of non-approval

Widespread uptake of the TNFD across sectors and geographies has game-changing potential for catalysing financial flows in nature positive directions and delivering on the Global Biodiversity Framework's goal to halt and reverse biodiversity loss by 2030. Without UK funding, the TNFD Secretariat would not be able to deliver the proposed TNFD uptake activities at the pace and scale necessary to achieve systemic change, particularly those activities that have been earmarked for UK funding (in Section 3.5 of this Change Control Note). The ultimate impact of the programme and its ability to achieve its outcomes would therefore be reduced.