



## **Full Business Case Change Control Note**

**Version February 2025**

### **Detail of Template**

#### **1. KEY INFORMATION**

<b>Project Name</b>	Taskforce on Nature-related Financial Disclosures (TNFD) programme
<b>Original Project Objectives</b>	<p><u>TNFD funding decisions to date:</u></p> <p>The Original TNFD Business Case, signed off by Minister Goldsmith in June 2021, approved a ~£2.8 million funding contribution to support the TNFD initiative's two-year 'design and development' phase. This culminated in the launch of the final TNFD recommendations and guidance on nature-related risk management and disclosure on 18<sup>th</sup> September 2023 at New York Climate Week.</p> <p>In autumn 2021, a TNFD African Voice Addendum for ~£1.6 million was approved. This Addendum provided funding to Financial Sector Deepening Africa (FSD Africa) for a pilot programme over November 2021 to November 2022 to ensure that the final TNFD framework is fit for purpose in African contexts by securing engagement by African financial institutions, governments, and central banks, and pilot testing the TNFD beta frameworks.</p> <p>In November 2023, the Defra ODA Board approved the 2023 TNFD Business Case Change Control Note (BC CCN) to provide an additional £2 million funding to the TNFD initiative to support its global market uptake phase (Phase 2). The TNFD's uptake phase commenced in September 2023 following the launch of the final TNFD recommendations and guidance. Defra's approved funding extends to March 2025 (aligned with the FY2021-25 Spending Review period).</p> <p><u>Work of the TNFD:</u></p> <p>The TNFD recommendations and guidance enable organisations to assess, report, and act on their evolving nature-related dependencies, impacts, risks and opportunities. Through enabling organisations to make better informed decisions around governance, strategy, risk management and capital allocation, the TNFD contributes to the global goal of shifting financial flows towards nature-positive outcomes for the planet and society. The TNFD is recognised as representing the main method through which to</p>

	<p>operationalise Target 15 of the Global Biodiversity Framework (GBF). The TNFD's objectives also align with Target 19 of the GBF.</p> <p>As referenced above, the TNFD initiative was launched in June 2021 with support from founding partners and funders, receiving global endorsements from the G7, G20 and other influential leaders. Defra's initial funding contribution supported the building and testing of the TNFD recommendations, engagement, resourcing, communications, and research, culminating in the launch of the final TNFD recommendations and guidance. Subsequently, the TNFD has been focusing on encouraging and enabling voluntary market adoption, working with standards bodies, and supporting efforts to address the knowledge, capacity building, and data needs of market participants.</p>
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<b>Reasons for change</b>	<p>Defra's funding for the TNFD is aligned with the current Spending Review period, covering FY2021-2025. We propose to provide an additional £1 million funding to the TNFD over FY2025-26, coterminous with the next one-year Spending Review period. The TNFD initiative receives funding from several other governments and philanthropic organisations. This proposed Defra funding will enable us to continue to support the TNFD's market uptake phase and build upon the work of our successful International Climate Finance (ICF) investment to date by:</p> <ul style="list-style-type: none"> <li>• Catalysing ever-greater voluntary market adoption of the TNFD recommendations, working with standards bodies (such as the International Sustainability Standards Board) to ensure the integration of nature issues into the global financial standards architecture; and</li> <li>• Accelerating efforts to address the knowledge, capacity building, and data needs of market participants.</li> </ul> <p>Widespread uptake of the TNFD by corporates and financial institutions across sectors and geographies is critical to achieving Defra's international objectives 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.</p> <p>The UK Government's 2023 Green Finance Strategy recognises the TNFD as the main method through which to operationalise Target 15 of the Global Biodiversity Framework (GBF), which concerns reporting on biodiversity risks, dependencies, and impacts. The GBF targets were developed to help achieve the GBF's global commitment to halt and reverse biodiversity loss by 2030. The TNFD initiative represents a powerful example of translating the UK's global environmental and green finance policy commitments into real world delivery with international market participation.</p> <p>The TNFD has been a high-performing programme to date – scoring an A+ in the last two programme Reviews. The next Annual Review will be completed by April 2025.</p>		
<b>Budget</b>	<b>Original Amount £m</b>	<b>Revised Amount £m</b>	<b>Change Amount £m</b>
	£6,501,855	£7,501,855	£1,000,000
<b>Project Start &amp; End Date</b>	<b>Original start date</b>	<b>Original end date (Project closure)</b>	<b>Amended end date (Project closure)</b>
	June 2021	March 2025	March 2026

<b>Other projects/ Programmes impacted by change</b>	N/A
<b>Is the change Novel or Contentious</b>	N/A
<b>DevTracker link to original business cases</b>	<a href="#">DevTracker Programme GB-GOV-7-TNFD-PO002 Documents (fcdo.gov.uk)</a>

## 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.

<b>Strategic Case:</b> The strategic case has continued to be strengthened by additional evidence and commitments.
<b>Economic Case:</b> An appraisal of spending options has been undertaken in this CCN on how to achieve the desired impact set out in the Theory of Change. A new Value for Money assessment has been undertaken by the IBC Directorate's Evidence team.
<b>Commercial Case:</b> There is no change in the Commercial Case. We propose that the current Grant Agreement is extended for one more year.
<b>Financial Case:</b> There is no fundamental change in the Financial Case, aside from a new Accounting Officer assessment, which has been approved by the ODA Finance Business Partner.
<b>Management Case:</b> The Management Case and 'Monitoring, Evaluation, and Learning' (MEL) methods remain the same. It was decided not to undertake a separate external evaluation for the TNFD programme using the £200,000 budget that had been tentatively earmarked in the Spending Review FY2021-2025 period. The rationale is explained in the narrative of the Management Case. This has resulted in total spend to date amounting to £6,301,855, rather than the maximum of £6,501,855 allocated in the budget.

## 3. INFORMATION

### 3.1: What is the project's background and Strategic Objectives?

The UK Government is one of the largest donors to 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 provides 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 conception for a TNFD equivalent of the TCFD (Taskforce on Climate-related Financial Disclosures) was first proposed at the World Economic Forum in Davos in 2019. This resulted in the development of a TNFD Informal Working Group, which comprised 74 members (including the UK Government). The Informal Working Group developed the scope and a workplan for the TNFD initiative, and this culminated in the launch of the TNFD initiative in 2021.

The TNFD recommendations and guidance are widely recognised (including in the UK Government's 2023 Green Finance Strategy) as representing the main method through which to operationalise Target 15 of the Global Biodiversity Framework (agreed at CBD COP15 in 2022), which pertains to disclosures on biodiversity-related risks, dependencies, and impacts. The TNFD is therefore a pivotal tool through which to deliver the Global Biodiversity Framework's goals of halting and reversing biodiversity loss by 2030.

### 3.2: What is the reason for the change?

Our current funding arrangement is aligned with the FY2021-2025 Spending Review period and will come to an end in March 2025. We propose providing an **additional £1 million funding** to support the TNFD initiative's ongoing global market uptake phase, aligned with the upcoming one-year Spending Review period (over FY2025-26). This will result in the total programme value rising from ~£6.5 million to ~£7.5 million.

The overall aim of the TNFD's global market uptake phase, which began in September 2023, is to encourage and enable voluntary market adoption of the TNFD recommendations across sectors and geographies, work with standards bodies to ensure alignment on nature-related issues, and support efforts to address the knowledge, capacity building, and data needs of market participants. By advancing these core goals, the TNFD will support the integration of nature considerations into corporate and financial decision-making and help to catalyse the realignment of global financial flows in nature positive directions. For a more in-depth overview of the workstreams we propose to fund and the expected benefits and impacts, please see Section 3.5 of this BC CCN.

### 3.3: What is the total and additional funding required?

The Original Defra Business Case, amounting to ~£2.8m, was signed off in June 2021, and was disbursed over 2021-2023. An additional ~£1.6m was added to the programme value through the TNFD African Voice Addendum. The work outlined in this Addendum was delivered by Financial Sector Deepening Africa (FSD Africa), a specialist development agency established by FCDO, over 2021-2022. Following the publication of the TNFD recommendations and guidance, Defra added a further £2m to the programme value to support the TNFD's uptake phase, which was disbursed over 2024-2025. We propose adding an additional £1m to the total programme value to further support the TNFD's uptake phase over FY2025-26. We do not propose continuing to fund the TNFD initiative beyond FY2025-26.

#### Source of changed budgets and detail of the additional funding

The funding has been secured from the ODA budget allocation pertaining to the one-year Spending Review period over FY2025-26. Our £1m funding will contribute towards meeting HMG's International Climate Finance (ICF) target to spend £3 billion on nature from the £11.6 billion ICF budget for FY21/22-FY25/26. Defra's contribution will continue to be via a **Grant Agreement**. The current TNFD Grant Agreement is due to expire on 31<sup>st</sup> March 2025, but there is a provision in the terms of the grant that enables us to extend it for the additional year that we propose.

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 advance these desired impacts by continuing to support private sector institutions in developing countries to use the TNFD LEAP (Locate, Evaluate, Assess, and Prepare) framework and report in line with the TNFD recommendations, and by engaging with key stakeholders in developing countries – including governmental and regulatory institutions and non-governmental stakeholders (including MDBs and IPLCs). For more information on the TNFD's developing country focus and alignment of this funding with the International Development Act 2002, please see Section 3.5 of this Change Control Note.

As with other TNFD donors, Defra's grant funding will contribute to the costs of running the TNFD Secretariat and the various workstreams that it pursues. Most of the TNFD budget is allocated to cover salaries for TNFD Secretariat staff, both based in the UK and overseas. At present, the TNFD Secretariat employs 27 paid staff (inclusive of a six-member Secretariat Leadership team). These are listed on the TNFD website: <https://tnfd.global/about/the-tnfd-secretariat/>. There are two TNFD co-chairs who work on a pro bono basis.

The use of Defra funding to pay TNFD Secretariat staff salaries helps to fund the research they undertake, their stakeholder and market engagement activities, their capacity building efforts, their facilitation of the TNFD's Consultation Groups and Working Groups, the ongoing technical support and guidance they develop and provide, their work on data and tools development, and their standards and regulatory engagement. Defra funding will also contribute to specific project costs, including data focused projects, strategic communications projects (including the upcoming TNFD Annual Status Report), communications costs, event preparation and management costs, in addition

to travel costs to enable the TNFD to participate in important international and regional summits for the purpose of publicising and advancing the work of the TNFD. Moreover, Defra funding will be used to cover overhead costs, and costs associated with contracting consultants and downstream delivery partners for specialist projects. Defra has emphasised that we expect our funding to contribute to the cost of specific workstreams. Please see Section 3.5 for more information.

The full range of TNFD workstreams and activities is set out in the 62-page 'TNFD's Uptake Phase Workplan: October 2023 – December 2025'. Please see attached in **Annex A**. The TNFD will develop a Workplan for post-December 2025 activities over the course of 2025. These activities will largely be a continuation of existing workstreams, revised in light of 'lessons learned' (see Section 3.8 below).

### 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. The proposed payment schedule is set out below:

Date	Amount
June 2025	£300,000
September 2025	£350,000
December 2025	£150,000
March 2026	£200,000

### 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:

Total funding pledges for the TNFD's uptake phase (from 2023 onwards)	
<b>Governments</b>	
German Government's International Climate Initiative (IKI), re-granted via UNDP (2023 – 2029)	£4,733,448
Defra	£3,000,000 (inclusive of £2m approved in 2023 and anticipated £1m in 2025)
USAID, re-granted by UNDP	£252,156
USAID (granted directly to TNFD)	£1,184,400
Norwegian Government's International Climate and Forest Initiative (NICFI), re-granted by Global Canopy	£72,000
Swiss Government: SECO (State Secretariat for Economic Affairs)	£178,000

Ministry of the Environment, Government of Japan	£307,592
Ministry of Agriculture, Nature, & Food Quality, Dutch Government	£125,921
<b>Sub-Total</b>	<b>£9,853,517</b>
<b>Philanthropic Organisations</b>	
Macdoch Foundation	£789,600
Rockefeller Foundation	£394,800
<b>Sub-Total</b>	<b>£1,184,400</b>
<b>Total TNFD funding for uptake phase (government and philanthropic)</b>	<b>£11,037,917</b>

As of February 2025, Defra's funding contribution will constitute 27% of the total budget. The total indicative TNFD budget can be found at **Annex B**.

#### **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 £1m 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 (which pertained to the TNFD's 'design and development' phase). An Annual Review was not undertaken in 2024 since our funding for the TNFD's uptake phase only commenced in March 2024. The 2025 Annual Review will be completed by April 2025.

Over the past year, the TNFD has continued to achieve its deliverables on time and on budget. The TNFD has overwhelmingly met or exceeded the targets that were set in the Log-frame.

TNFD market uptake: The total number of TNFD adopters has reached 526 organisations, spanning 54 countries and operating within 67 of the 77 SASB SICS (Sustainability Accounting Standards Board – Sustainable Industry Classification System) industry sectors. The publicly listed TNFD adopters represent over US\$6.5 trillion in market capitalisation and US\$17.7 trillion in Assets under Management (AUM), including 25% of Global Systemically Important Banks (GSIBs). The TNFD has 20 Consultation Groups (both at a regional and national level) across the globe, which help to build capacity for nature-related reporting across markets, identify current knowledge and understanding on nature-related issues, and provide a community of practice for organisations who have committed to report in line with the TNFD recommendations. There are over 1720 organisations globally who are members of the TNFD Consultation Groups. Example TNFD reporting can be found on the TNFD website: <https://tnfd.global/knowledge-hub/example-tnfd-reporting/>

Guidance: The TNFD has continued to publish guidance on a range of topics, including on value chains, scenario analysis, biomes, in addition to sector based guidance. 15 new guidance documents have been published over the past year and eight documents have been updated. The TNFD has produced 'Correspondence Mapping Tables' for three international sustainability standard setters – the Global Reporting Initiative (GRI), the European Sustainability Reporting Standards (ESRS), and the International Sustainability Standards Board (ISSB) - which serve to delineate the interoperability of the TNFD and the standard setters.

Stakeholder and market engagement: To spread knowledge and awareness about the TNFD recommendations, TNFD representatives have engaged with 33 countries over the course of the uptake phase so far (either engaging with policy-making entities, central banks, or other regulatory entities), 19 of which are megadiverse or G20 countries. The TNFD has delivered 18 webinars over the past year, which cumulatively reached a total of 6818 participants.

Indigenous Peoples and Local Communities (IPLCs) engagement: In response to the comprehensive consultation the TNFD undertook with IPLC representatives, the TNFD has delivered five 'IPLC Business Engagement' training sessions between IPLC leaders and business leaders. These sessions have helped to provide the foundation for better quality stakeholder engagement with IPLCs on the part of businesses and financial institutions. The TNFD has also pursued 13 dialogues with IPLCs over the global market uptake phase so far.

Events: TNFD representatives have participated in 175 forums or summits around the world over the past year. CBD COP16 was one of the TNFD's biggest moments of 2024, where the TNFD hosted a four-day programme of sessions, including a TNFD Adoption moment and sessions on insights into LEAP pilot testing in megadiverse countries and learnings from IPLC enterprises.

Communications: The TNFD has pursued an active communications approach, using international media outlets, the TNFD website, LinkedIn, events, and international visits to disseminate messaging, build understanding, secure significant media and opinion leader interest, and engage with key stakeholders. The TNFD has secured 60 major media coverages or interviews over the past year, which have helped to further heighten the profile of the TNFD and nature risk more broadly.

Nature Data Public Facility (NDPF): At COP16, the TNFD released a Discussion Paper, titled 'Roadmap for Upgrading Market Access to Decision-Useful Nature-related Data'. The Paper was developed in response to growing market demand for nature-related data and represents a cornerstone document in highlighting the critical challenges in data accessibility, standardisation, and interpretation. The Paper seeks to guide global efforts to enhance the availability and usability of nature data across the value chain, including by developing a Nature Data Public Facility.

Nature-related Transition Planning: At COP16, the TNFD published a 'Discussion Paper on Nature Transition Plans', which sets out draft guidance on nature transition planning for corporates and financial institutions. In developing the discussion paper, the TNFD built on current market practice for climate transition planning, thus ensuring the TNFD facilitates an integrated approach to transition planning and disclosure.

Executive Training initiatives/Education: With 526 adopters of the TNFD recommendations underway with their TNFD nature-related assessments and reporting and growing interest among investors for nature-related information, there is significant demand for practical skills and capacity-building support across markets and sectors around the world. In response, the TNFD has made significant progress in establishing an international coalition of learning and education partner organisations to deliver high-quality interventions that address the capability building needs of market participants. For example, the TNFD has established the 'Train the Trainer' programme, in partnership with the Cambridge Institute for Sustainability Leadership (CISL) and published a core set of 'white label' capacity building and training materials on the TNFD recommendations and guidance. The TNFD has also launched two new capacity-building tools: a Trainer Portal and a Learning Lab.

Building out the Nature Risks Evidence Base: The TNFD collaborated on the production of 10 additional case studies for BloombergNEF's 'When the Bee Stings' report (which were published at COP16). The case studies showcase how nature risks have materialised into significant financial consequences for leading companies across sectors and geographies over the last two decades.

## **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) in its 2023 Programme Completion Review and was awarded the score of '5', which signifies that there is substantial evidence that suggests transformative change is likely or already occurring).

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

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

Defra's proposed £1 million additional funding over FY2025-26 will be used to continue to support the TNFD's core goals of encouraging and enabling voluntary market adoption of the TNFD's recommendations across sectors and geographies, working with standards bodies, and supporting efforts to address the knowledge, capacity building, and data needs of market participants. 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.

#### Developing country focus and rationale for Defra's TNFD funding

Developing countries are host to the world's highest concentrations of biodiversity. Poor people and indigenous communities in developing countries are most directly dependent on ecosystem goods and services for subsistence and livelihoods and therefore are most affected by environmental degradation and biodiversity loss. Delivering a global nature positive transition will require significant additions to the natural capital upon which people in developing countries rely for their income and livelihoods. Given that the total value of private finance far exceeds the public finance available, it is crucial that efforts are made – through disclosure and accountability mechanisms such as the TNFD - to facilitate the integration of nature-related issues into private sector decision-making and to facilitate the realignment of global private financial flows towards nature positive outcomes. The mobilisation of private finance is crucial if we are to meet the globally agreed CBD COP15 goal of halting and reversing biodiversity loss by 2030 and the 2030 Sustainable Development Goals.

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 skills and talent with relevant expertise on nature risk. Providing ongoing support for the work of the TNFD will continue to help organisations in developing countries to leverage their natural capital by investing in nature positive actions that will contribute to significantly improving livelihoods and inject resilience into business models, operations, financial portfolios, and supply and value chains. Also, when large multinational corporations (MNCs) headquartered in developed markets, most of which have globally interconnected supply chains across developing markets, conduct their TNFD risk assessments, they will be incentivised to invest in the resilience of their supply chains and allocate capital to insetting measures that result in local nature restoration and conservation outcomes, which also benefits local communities.

#### Activities we propose to fund:

As with other TNFD donors, Defra's grant contribution will be added to the TNFD's total budget. The TNFD will be able to exercise discretion over everyday spending decisions, such as staffing and

project costs. Nevertheless, Defra has emphasised to the TNFD that we expect the TNFD to focus its resources on delivering the following priority areas:

- 1) **Core Secretariat Funding** - To deliver on the TNFD's overriding goals, Defra will provide funding to cover general costs relating to the TNFD's ongoing work for its global uptake phase. This will include allocating funding to pay TNFD Secretariat staff salaries to fund their research, engagement activities, capacity building efforts, ongoing technical support, communications, and travel. Defra funding will also contribute to overhead costs, specific project costs (including for event preparation and management), and costs associated with contracting consultants and downstream delivery partners. Defra's funding will contribute to covering the costs of all four of the TNFD's pillars, which are necessary or scaling market adoption of the TNFD recommendations:
  - Stakeholder Engagement – The TNFD will expand and deepen engagement with wide-ranging audiences (across sectors and geographies) to support voluntary adoption of the TNFD recommendations and build broader market awareness and confidence to commit to specific actions on nature risk (including disclosures). Stakeholder engagement activities include ongoing engagement with IPLC organisations, environmental and conservation NGOs, and the Taskforce on Inequality and Social-related Financial Disclosures (TISFD). The TNFD will also engage with MDBs, PDBs, and DFIs to further pilot TNFD approaches and explore ways in which TNFD content can be integrated into operations and market information products.
  - Capacity Building – The TNFD will continue to support a range of capacity building initiatives to help facilitate adoption of the TNFD recommendations – through a combination of independent and collaborative ventures. This will include scaling up the TNFD's workstream with Small and Medium-sized Enterprises (SMEs) to ensure their particular capacity building needs are addressed and continuing to support the work of the TNFD's 20 Consultation Groups. See full list here: <https://tnfd.global/engage/tnfd-consultation-groups/>
  - Communications – The TNFD will continue to pursue various communications activities to support and promote the work of the TNFD, including media engagement and events. The TNFD will develop a TNFD Annual Status Report, which will serve to assess the quality of TNFD disclosures to date and provide an update to key stakeholders and the market.
  - Technical development – The TNFD will continue to support the ongoing development of additional market guidance to aid market participants with their implementation of the TNFD recommendations. For example, the TNFD will conduct further research into supply chain traceability, which will result in the publication of additional guidance for market participants, on how to assess nature-related issues upstream and downstream at reasonable cost.

In addition to providing general funding to support the advancement of the TNFD's above-mentioned four key focus areas, Defra has specifically identified several workstreams that it expects the TNFD to allocate Defra funding towards, with each of these workstreams being assigned Log-frame indicators and milestone targets. These can be found in the draft Log-frame (**Annex C**).

- 2) **Global Nature Data Public Facility** – Access to comparable, high-quality underlying data is essential for enabling accountability on commitments and efforts to tackle nature loss. As a result of feedback and consultations, the TNFD has proposed developing a Nature Data Public Facility to act as an open repository to allow stakeholders to access key nature-related data and

commitments and to assess the progress of businesses and financial institutions towards these commitments. Following the release of its Discussion Paper, titled 'Roadmap for Upgrading Market Access to Decision-Useful Nature-related Data', at COP16, the TNFD will proceed to undertake a landscape-scale pilot of the preferred model for a Nature Data Public Facility to test its feasibility and scalability to a global level. This Facility would represent the nature equivalent of the Net-Zero Data Public Facility. The pilot testing will involve supply-side and demand-side partners along the nature data value chain and will enable the TNFD to determine what is feasible with the stock of nature data available today from a range of data sets and sources.

- 3) **Nature Transition Planning** – Transition planning offers an important way of managing and coherently sharing an organisations' responses and contribution to net zero and nature positive commitments. Following the TNFD's publication of its 'Draft Guidance on Nature Transition Plans' at COP16, the TNFD will undertake a period of pilot testing with market participants from around the world. In developing its guidance, the TNFD built on current market practice for climate transition planning to support an integrated approach. Following feedback from pilot testing activities over the coming months, the TNFD will then proceed to develop its 'Final Guidance on Nature Transition Plans' in 2025.
- 4) **Executive Training and Education Initiatives** – The TNFD will continue to support efforts to deliver high-quality education and executive training interventions based on the TNFD recommendations and guidance, building upon the 'TNFD in a Box' which represents the baseline TNFD training offering. The TNFD will continue to pursue both online and in-person delivery formats - across geographies, sectors and languages. Examples include:
  - Further webinars and engagements to upskill and underscore the materiality of nature-related risks to Board members.
  - Content support to partner organisations developing and delivering engagement training programmes between IPLCs and business leaders.
- 5) **Building out the evidence base on nature risks, in a manner that will help inform the development of nature-related international standards** – As part of efforts to further build out the nature risks evidence base – to illustrate where, how and why nature issues can pose material risks - the TNFD will collaborate with Oxford University to develop a TNFD Evidence Paper on the materiality of nature-related risks, which will help to inform the ISSB's research project on Biodiversity, Ecosystems, and Ecosystem Services (BEES). The ISSB will review the recommendations of the research project and reach a decision, likely in Q3 2025, on whether to create a TNFD-aligned Nature Standard.
- 6) **Developing an evidence base on how TNFD adoption can support the realisation of nature-related opportunities** – The TNFD will research and collate examples to substantiate how using the TNFD recommendations and guidance can support companies to de-risk their operations (leading to avoided losses and enhanced competitive advantage), boost resilient,

future-proofed growth, improve brand value, and open up access to new markets, products, and revenue streams. The TNFD will then produce case studies setting out how market participants can identify nature-related opportunities. The case studies will provide a platform to showcase businesses and start-ups that can support businesses with reducing their nature-related risks and dependencies. Nature-related opportunities can include regenerative agriculture, green insurance products, financing green infrastructure, and green technology adoption.

Expected quantified benefits are included in the draft Log-frame for FY2025-26. See **Annex C**.

#### Benefits/outcomes that will ensue from the activities we are funding

The above-listed funded activities will enable delivery of the following desired outcomes:

- The growth across geographies and sectors in awareness about – and participation in – the work of the TNFD, through a number of distinct stages of engagement.
- Efforts by voluntary standards organisations, including the ISSB, to develop nature standards and draw on the TNFD recommendations.
- The growth of interest and support from governments and financial regulators in the TNFD recommendations, and specifically among G20 finance ministries and central government agencies.
- Growing nature-related stewardship and activities, reflecting the growth of their understanding, capabilities, and commitment on nature-related risk issues.
- Market demand for nature-related knowledge, skill development, and data solutions.
- Signs of investment in nature-related analytic and reporting capabilities among key potential users in the market.

These desired outcomes are embedded in Defra's MEL Results Framework for the programme, including in the Theory of Change and the Log-frame. Collectively, these outcomes will support the desired impact, which is to support the realignment of global financial flows away from nature-negative outcomes and instead towards nature-positive outcomes, supporting a nature positive economy for sustainable development and poverty reduction.

#### **What is the expected impact on Value for Money (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 continues to be perennially undervalued by current global market mechanisms contributing to high rates of biodiversity decline. By providing decision-grade information for corporates and financial institutions, corporate reporting in line with the TNFD recommendations empowers institutions to make decisions that shift financial flows towards nature positive outcomes and manage long-term interdependencies with the natural environment by better understanding the risk around business decisions.

Analysis by the Green Finance Institute found that encouraging greater nature-related risk disclosures can have meaningful implications for economic resilience due to the high exposure of UK firms to nature-related risks abroad. The report suggests that policy makers should invest in enhancing the underpinning data, analytics and modelling of nature-climate-economy interactions as a public good, as the collapse of key ecosystems can lead to a contraction of global GDP by up to 14% in certain scenarios.<sup>1</sup>

The last VfM assessment for the TNFD programme was undertaken as part of the Business Case Change Control Note for £2 million in November 2023. The assessment was undertaken in-line with FCDO guidance and was adjudged to have met the necessary VfM standards in all four categories. 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?

A subsequent VfM assessment has been undertaken as part of this 2025 Business Case Change Control Note process for £1 million. We adjudge that VfM standards will continue to be met for the below reasons:

- Economy – the TNFD Secretariat will continue to operate under a commitment to openness, sustainability, competition, and transparency. The Secretariat has robust internal policies and processes in place to ensure that recruitment and external procurement is done prioritising the principles of quality, price and fairness and zero discrimination. VfM expectations are underscored in the GFI Procurement Policy and the GFI Travel & Expenses Policy. VfM stipulations are also accentuated in Defra's TNFD Grant Agreement. The TNFD Secretariat has a track record of maintaining budget discipline and procedures remain in place to ensure that all funds are allocated efficiently.
- Efficiency – the TNFD Secretariat has a track record of meeting or exceeding its KPI output targets, both over the 'design and development' and the 'market uptake' phases. The TNFD has met its target to secure over 520 TNFD adopters by the end of January 2025. The TNFD's draft guidance on transition planning and its discussion paper for upgrading market access to nature-related data were published on schedule. The TNFD Secretariat managed to secure the participation of 6818 professionals in its webinar series over the course of the TNFD's uptake phase to date, exceeding the target of 3500. A total of 9980 'TNFD in a Box' modules have been downloaded, exceeding the target of 5000. The TNFD Secretariat has forged partnerships with a range of stakeholders operating in the nature finance space, including 20 Knowledge Partners, to support delivery of shared goals. To maximise efficiency, leverage expertise, and ensure the delivery of its objectives at pace and scale, the TNFD has

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<sup>1</sup> Assessing the materiality of nature-related risk for the UK, Green Finance Institute (2024)



contracted specialist organisations, as downstream delivery partners, to deliver agreed workplan goals.

- The draft Log-frame for FY2025-26 sets out expected milestones for the programme, please see **Annex C**. For example, as a result of our additional funding, we expect the TNFD to deliver 20 webinars, reaching approximately 8500 participants. The TNFD will pilot test the model of a Nature Public Data Facility with a range of market users and will then produce a 'Final Data Facility Specification' document. The TNFD will undertake pilot testing of the draft Transition Planning approach, which will culminate in the publication of a final 'Guidance on Nature Transition Planning' document, including case studies and examples from the pilot testing. On education, we expect to see at least 10 executive training providers using the new TNFD Trainer Portal and the development of educational material for company Boards. We also expect to see the development of a TNFD Evidence Paper on the materiality of nature-related risks, which will help inform the ISSB's nature-related research project.
- **Effectiveness** – The TNFD's uptake phase workstreams are crucial to ensuring the long-term efficacy of the TNFD and achieving its long-term goal of delivering transformational change. Through the establishment of 20 Consultation Groups and engagements with 33 countries (including a total of 19 G20 countries and megadiverse countries), the TNFD has managed to secure 526 TNFD adopters across 54 jurisdictions (as of January 2025). The value that the TNFD brings is also evidenced by the continued and growing membership of TNFD Consultation Groups, with 1720 organisations actively participating across the 20 TNFD Consultation Groups. Furthermore, the TNFD has played an instrumental role in tackling underlying data, knowledge, and capacity building challenges through taking the lead in developing wide-ranging initiatives to address these issues. The TNFD is widely recognised as an invaluable source of expertise on material nature-related issues, and this is evidenced by its participation in 175 events internationally since the commencement of Uptake Phase activities. To ensure the ongoing effectiveness of the programme during this next phase, the programme is prioritising: continued engagement from governments and financial institutions, increased cohesion between incumbent standards and TNFD recommendations, and increased coverage across geographies.
  - As a result of Defra's additional £1m, we expect to see significant progress being made to deliver the TNFD's principal outcomes. We expect to see the continuing growth across geographies and sectors in awareness about, and participation in, the work of the TNFD. As a result of engagements and research by the TNFD, we expect to see a commitment by the ISSB to develop a TNFD-aligned Nature Standard. We expect to see growing nature-related stewardship and activities, as a result of organisations adopting TNFD risk management and reporting practices. We also expect to see the growth of nature-related data solutions, and greater investment in nature-related analytic and reporting capabilities.
- **Equity** – The TNFD is committed to fulfilling its duties in accordance with the International Development Gender Equality Act (2014), which requires consideration of the programme's impact on gender equality. The TNFD undertook a consultation with leading IPLCs as part of its 'open innovation' design and development process, which led to the publication of

Guidance on IPLC engagement for business leaders. The TNFD has continued to engage with IPLCs in its global uptake phase and has delivered IPLC Business Engagement training sessions to enhance the capabilities of business executives to engage constructively with IPLCs.

### 3.6 What is the approach to implementation?

The Green Finance Institute (GFI) will continue to host the TNFD Secretariat and will provide administrative support to the programme.

#### **Gender Equality and Social Inclusion (GESI):**

The TNFD Secretariat and Green Finance Institute (which hosts the TNFD Secretariat) have policies and strategies in place to tackle discrimination and advance equality of opportunity. 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. Examples of how the TNFD programme assesses and reports on gender-based and social inclusion-focused data through its MEL processes (such as through its annual Reviews) include:

- The TNFD collects gender-based data on usage of the platforms it provides, and monitors gender representation in its Secretariat, resourcing, and membership. Moreover, since January 2025, following an upgrade to the TNFD's Customer Relationship Management database, the TNFD has expanded the forms it uses for external engagement to include gender information. This will result in more gender-based data being reporting on in the programme's MEL processes moving forward, including in the 2025 Annual Review.
- In 2023, GFI appointed the Laudes Foundation to perform a GESI assessment, focused on its partnering and stakeholder engagement activities. This assessment produced its key findings and recommendations in September 2023. The programme management team will assess the extent to which the GFI has implemented the recommendations that the GESI assessment formulated in our upcoming 2025 Annual Review.
- In recognition of the critical role that indigenous peoples play as custodians of high-biodiversity ecosystems and the importance that both Defra and the TNFD place on IPLC engagement, Log-frame indicators were set on the number of dialogues with IPLCs and the number of IPLC business engagement training sessions.
- Following the establishment of the global Taskforce on Inequality and Social-related Financial Disclosures (TISFD) in September 2024, and in recognition of the well-established nexus between nature loss and poverty reduction and the TISFD's inherent synergies with the work of the TNFD, Defra has set a Log-frame indicator on dialogues with the TISFD to ensure alignment on products and outcomes.
  - The TISFD was established to develop recommendations and guidance for businesses and financial institutions to understand and report on their impacts, dependencies, risks, and opportunities related to people, with the aim of incentivising business and financial practices that create fairer, stronger societies and economies.

#### **Safeguarding considerations:**

The GFI Safeguarding Policy was updated in September 2023. Please find attached as **Annex D**. The GFI HR Team has responsibility for safeguarding matters. The GFI has committed to report any safeguarding/fraud concerns immediately to the PRO, who would escalate concerns through the relevant procedure as appropriate. The TNFD Secretariat's induction process for new employees entails familiarisation with all the company's policies already in place. No roles involve working with children or vulnerable adults.

**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 £1 million 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 and is mandated to support the UK Government to deliver on its Green Finance Strategy. GFI established a separate legal entity, named GFI PMO Ltd, to host the TNFD Secretariat.

A Spotlight Due Diligence Check was conducted on the TNFD Secretariat in February 2024 by Defra Commercial Group, prior to the issuance of the Grant Agreement. The Due Diligence Check did not highlight any areas of concern. Moreover, ahead of the provision of additional grant funding to GFI for separate programming, DESNZ undertook a Commercial Review of GFI in November 2023, using Dunn & Bradstreet Finance Analytics. The overall conclusion in terms of Business Risk was 'Low-Moderate', which represents the second-lowest category within the five-category risk-scale. The organisation was viewed to be in a 'stable condition', with a 'strong likelihood of continued operations'.

In line with ODA best practice, the PRO is currently undertaking a Due Diligence assessment and report on the TNFD Secretariat, using the cross-government template, which examines the TNFD Secretariat's policies and procedures in place in relation to each of the five due diligence pillars: Governance and internal control, Ability to deliver, Financial management and stability, Downstream delivery, and Safeguarding. The final TNFD Due Diligence Report will be shared with the TNFD Secretariat, and the programme management team will review the TNFD's implementation of our feedback on due diligence in our 2026 Programme Completion Review.

### 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 2021 and the Business Case Change Control Note 2023. 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 growing physical, litigation and transition risks associated with nature degradation have significant macroeconomic and financial implications. Approximately 55% of global GDP is moderately or highly dependent on nature, but a vastly higher share relies on functioning ecosystems to some degree.

The Dasgupta Review (2021) outlined that the degradation of nature is primarily driven by institutional and market failures that undervalue natural capital. This has led to the exploitation of natural resources at unsustainable rates, surpassing nature's ability to regenerate itself.<sup>2</sup> The TNFD programme's goals are aligned with the UK Government's response to the Dasgupta Review, in which the UK Government committed to 'ensuring economic and financial decision-making and the systems and institutions that underpin it, supports the delivery of [a] nature positive future'.

Financial flows into the preservation and restoration of nature remain vastly off the trajectory needed to hit targets agreed in Montreal. Bloomberg New Energy Foundation's 'Biodiversity Finance Factbook' (published in October 2024) highlights that the gap between current biodiversity finance and future needs has widened to \$942 billion per year.<sup>3</sup> Nature-related risks are costing companies and their investors billions of dollars, but many lack sophistication in their approach to managing nature-related risk. With its final recommendations and guidance launched in September 2023, the TNFD represents an invaluable tool for enabling organisations to integrate nature-related issues into their decision-making and for supercharging the transition to a nature positive economy, thus helping to scale up private finance to support the protection and restoration of nature and close the Biodiversity Finance Gap.

The strategic case for the TNFD has also been strengthened by further UK Government commitments and publicly stated priorities over the past year. In his first major policy speech at Kew in September 2024, the Foreign Secretary described the climate and nature emergency as the central geopolitical challenge of our age and underscored the need to unlock global finance for climate and nature on a far larger scale. The work of the TNFD also aligns with the 'Ensuring nature's recovery' pillar of Defra's new five core priorities, which were set out in July 2024. Furthermore, the TNFD supports the delivery of the UK Government's economic growth agenda by providing a nature-related framework through which private sector organisations can identify and

capitalise on growing nature-related opportunities – leading to increasing investment and the restoration of natural capital so people and communities can flourish.

## Theory of Change

The Theory of Change for the TNFD uptake phase remains the same as when it was attached as an Annex in the 2023 Business Case Change Control Note. Our £1m funding will support the continuing efforts of the TNFD's uptake phase, so the impact, outcomes, outputs, activities, assumptions, and drivers remain unchanged. The Theory of Change can be found at **Annex E**.

### • **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?

In line with standards on proportionality, and due to the long-term strategic nature of the intervention, it has not yet been possible to provide a quantified economic appraisal of continuing to fund the TNFD. TNFD early adopters are committed to report in line with the TNFD recommendations by FY2024-25 or FY2025-26, and it is only once organisations complete their first TNFD-aligned corporate reporting that they will be better able to take steps to integrate nature considerations into their strategic planning and realign their financial flows with nature positive outcomes. The TNFD will produce its first Annual Status Report in late 2025, and this will enable an appraisal of engagement, trends, and key issues relating to TNFD market adoption, based on best available publicly reported data.

### 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 market uptake through policy work.
- ii) Spending £1m to support TNFD global uptake efforts.

#### **Option 1: Support TNFD market uptake only through policy work**

Defra would not fund the TNFD but would continue its policy work in this area. The ISSB is currently undertaking a research project to explore the prospective development of a TNFD-aligned Nature Standard, the findings of which will be submitted to the ISSB Board later this year. The ISSB Board will then make a formal pronouncement on how they will take forward the research findings and confirm whether they will develop a new TNFD-aligned Nature Standard. Once such a Standard is developed, and in line with the approaches being taken by other countries, the UK Government could explore policy options for mainstreaming the Nature Standard into the UK's policy and regulatory architecture (such as through the UK's emerging Sustainability Disclosure Requirements). However, given it would likely take at least one year to develop such a Standard, such policy work on creating an enabling environment on nature-related risk management and reporting could only realistically commence from 2026 onwards.

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, without UK funding, the TNFD Secretariat would not be able to deliver all the goals concomitant with its Uptake Phase Workplan at the pace or scale required to deliver on our Global Biodiversity Framework targets. The activities that Defra has earmarked for funding would all be hampered, including efforts for supporting and scaling voluntary TNFD market adoption, working to develop a Nature Data Public Facility, working to integrate nature into Transition Planning, supporting education resources and executive training initiatives on the TNFD and nature risk, and further strengthening and amplifying the nature risks evidence base.

#### **Option 2: Spending £1m to support TNFD global uptake efforts**

Defra would, alongside other governmental and philanthropic donors, contribute £1m to the TNFD initiative. Additional TNFD funding would help to deliver the goals of the Global Biodiversity Framework (GBF), as the TNFD is recognised as the principal mechanism through which to operationalise GBF Target 15, pertaining to biodiversity-related risks, dependencies, and impacts. The TNFD is also linked to GBF Target 19 (on catalysing finance for nature from all sources) given that the ultimate aim of the TNFD is to support the realignment of global financial flows towards nature-positive outcomes. Additional TNFD funding would also continue to 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.

Widespread uptake of the TNFD across sectors and geographies has game-changing potential for catalysing financial flows in nature positive directions. The proposed additional £1m funding would build upon the catalytic support that the UK Government has provided to the TNFD for its 'design and development' phase and its global uptake phase to date (since September 2023); and would enable the TNFD to build upon its successes to date and continue to advance the goals of its uptake phase. Although 526 organisations have committed to report in line with the TNFD recommendations to date, there remains significant potential for expanding the number of TNFD adopters across sectors and geographies, supporting existing adopters as they commence TNFD reporting through the provision of technical expertise and capacity building efforts, and expanding the TNFD's reach to include SMEs.

The TNFD budget for FY2025-26 is forecast to be £5,309,117 (inclusive of Defra's proposed £1m additional funding). Defra's £1m will therefore represent 19% of the TNFD's budget for FY2025-26. A list of expected benefits from Defra's £1m can be found in Section 3.5.

Although it is important for future technical developments of the TNFD to be market-led, ongoing government and philanthropic funding for the TNFD initiative continues to be necessary (as opposed to shifting to a private finance-based funding model) to prevent any conflicts 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.

In the long run, continued support of the TNFD will help businesses and financial institutions manage environmental risks and opportunities. By assessing nature-related risks companies can reduce financial exposure, avoid biodiversity loss and resource depletion and prevent supply chain disruptions. This approach will support businesses in maintaining stable operational costs in a world of growing climate and ecosystem instability.

The TNFD also improves capital allocation by guiding investors towards nature-positive investment opportunities. By aligning with TNFD recommendations, businesses can attract sustainability-focused investors and improve their ability to gain access to financing. This will in-turn increase the demand for innovations in green finance.

### **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 £1m 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 and effecting transformational change on the ground.



- **Commercial Case**

The Current Grant Funding Agreement for TNFD (Atamis record number C23730) expires on March 31<sup>st</sup> 2025. There is provision to extend to 31<sup>st</sup> March 2028 in annual increments pending SR allocations and approvals. DgC will enact an allowable extension of one year for a maximum value of £1mn. The extension will be based on a costed workplan as provided by the policy customer and appended to this change note. All other details of the Grant Funding Agreement remain the same.

The Value for Money assessment is established in Section 3.5 of this Change Control Note and in the Economic Case above.

### **Subsidy Controls**

The Subsidy Control Unit assessed the activities and outputs associated with Defra's funding for the TNFD's uptake phase in 2023, in line with the principles set out under the UK's Subsidy Control Act 2022 and confirmed that the proposed funding does not constitute a subsidy. This advice holds for the extension.

### **Fraud Risk Assessment**

A Fraud Risk Assessment was undertaken prior to the commencement of Defra's funding for the TNFD programme and it continues to be updated as part of regular risk management and due diligence. Fraud risk remains **low**. The TNFD Secretariat and GFI have numerous controls in place for mitigating against the risk of fraud, including preventative, detective, and corrective controls. For example, controls include procurement checks, supplier onboarding processes, payment verification, IT system controls, transaction monitoring, technology controls, and segregation of duties. The TNFD has due diligence processes in place to assess the financial viability and fraud risk of contractors and grant recipients. GFI has a Conflict of Interest Policy and an Anti-Corruption/Bribery Policy and has a pro-bono panel which advises on all legal matters.

### **Funding previously allocated to the appointment of an independent evaluator**

The decision not to proceed with this element is set out in the Management Case of this CCN and as such the Policy team's FBM partner has been advised that the allocated £200k will not now be used for any potential commercial transaction related to MEL.

- **Financial Case**

There is no fundamental change to the 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 B**.

### **Defra Resource Costs**

The programme will require the below staff dedication (full-time equivalent) from Defra over FY2025-26. This has been deemed affordable within Defra's FLD staff budget.

Grade	Year 1	Year 2
SCS	1%	1%
G6	5%	5%
G7 (SRO)	10%	10%
SEO (PRO)	50%	50%
SEO (Analyst)	5%	5%

### **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, and when future payments are needed. A Programme Completion Review will be undertaken from March 2026 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 TNFD is projected to be on a secure and sustainable footing in terms of financial support over the short to medium-term. The TNFD receives funding from nine donors (including a mix of governments and philanthropic organisations),

with one of the donors pledging funding support for the work of the TNFD up to 2029. 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**

The relevant Accounting Officer Tests have been approved by the ODA Finance Business Partner, in line with 'HMT Managing Public Money' guidance.

- **Regularity:** There is adequate legal authority for the spending under the powers of 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.
- **Propriety:** The programme will adhere to the relevant approvals and controls process. As the proposed £1 million funding increases the total programme value from ~£6.5 million to ~£7.5 million, the Business Case Change Control Note 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.
- **Value for Money:** A Value for Money (VfM) assessment was undertaken 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.
- **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.
- **Affordability:** The funds have been secured from Defra's ODA budget allocation pertaining to the FY2025-26 one-year Spending Review period. We do not propose continuing to fund the TNFD initiative beyond FY2025-26.
- **Management Case**

The responsibilities and accountabilities for key processes will continue to be the same for matters such as the Grant Agreement, Annual Review, monitoring and assurance, reporting, and governance since the programme was initiated in 2021.

## **Roles and Responsibilities**

### **Programme Management**

The PRO and SRO, who sit in IBC's International Private Finance for Nature 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 £1 million, 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. The main point of contact will be the TNFD's Chief Operating Officer. TNFD programme management meetings will cover issues pertaining to implementation, finances, MEL, and risks. On occasion, these meetings may include an IBC 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 PRO will track delivery against ODA requirements via the quarterly progress reports, the 2025 Annual Review, and the 2026 Programme Completion Review.

### **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.

Defra's £1m additional funding for the TNFD initiative will enable the Defra TNFD Policy Lead to continue to sit as the UK Government's representative on the TNFD Stewardship Council over FY2025-26, 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 provides a forum through which to ensure appropriate financial accountability to funding partners. Another responsibility of the Stewardship Council is to uphold the seven principles guiding the work of the Taskforce: market usability, science-based, nature-related risks, purpose-driven, integrated and adaptive, climate-nature nexus, and globally inclusive.

The Defra TNFD Policy Lead and the PRO will continue to share regular updates with each other and closely collaborate on all matters relating to Defra's engagement with the TNFD initiative.

## **MEL: Monitoring, Learning, and Evaluation**

An updated Defra Results Framework, consisting of a Log-frame and KPI15 indicators, will be finalised in the first three months of the programme, in line with best practice, and in collaboration with the TNFD Secretariat. The Log-frame will build upon many of the indicators that were included in the first Log-frame for the uptake phase to ensure consistency and to enable us to monitor progress over time. However, new indicators and targets will be included for workstreams where specific projects relating to the previous targets have now been completed. The updated Log-frame will be signed off by the SRO, the Defra TNFD Policy Lead, and the ODA Hub MEL Leads. The draft Log-frame and Theory of Change can be found at **Annex C** and **Annex E** 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 provide updates on progress against milestones, programme spend, match funding, and risks.

The Defra PRO will conduct a Programme Completion Review following the cessation of Defra funding to the TNFD programme in March 2026. In line with ODA best practice relating to timescales for programme reviews, the Programme Completion Review will therefore be completed by June 2026. This Review will use Log-frame results submitted to Defra by 31<sup>st</sup> March 2026. 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)
- How risks have been managed and mitigated
- Commercial and financial performance
- Recommendations and key lessons learned.

The programme team and ODA Hub will explore options for commissioning a Defra colleague to undertake the 2026 Programme Completion Review, in line with new ODA best practice to encourage at least one programme Review to be undertaken by a civil servant who is not involved in the day-to-day operations of the programme. This would provide an independent and external view on the programme's performance and would provide the colleague with a learning and development opportunity.

### 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 ICF KPI15, which assesses the 'extent to which the ICF intervention is likely to have a transformational impact'.

Updated sub-indicators will be developed for these ICF KPIs in the first three months of the programme, in collaboration with ODA MEL leads. The TNFD programme does not meet the criteria to report against any other ICF KPIs.

### Evaluation

Up to £200,000 was tentatively earmarked for a prospective external evaluation in the Original TNFD Business Case, approved in 2021. This funding amount is tied to budgets for the 2021-25 Spending Review period. However, following internal discussions with relevant Defra teams and external discussions with the delivery partner, it was concluded that a formal external evaluation (using the up to £200,000 budget allocation) would not constitute Value for Money for the taxpayer, in terms of both financial and staff resource commitment.

There are several reasons why this decision was made. The TNFD programme constitutes a low-risk, comparatively small intervention within the ODA portfolio, it is not advancing a novel or innovative idea, and it has a strong evidence base (which has only continued to grow since the programme's inception). Another reason is that the data and reporting that we have obtained through our existing MEL framework already provides us with evidence showing that the TNFD is having the desired effect and is proving to be a successful programme. This is substantiated by the A+ scores awarded to the programme in both previous annual reviews. The ODA Evidence team has also adjudged that the TNFD continues to constitute good value for money.

A separate Defra-commissioned evaluation was also viewed as disproportionate because an independent, consultant-led TNFD evaluation project was undertaken in autumn 2023 ahead of the full-scale commencement of uptake phase activities (using evaluation funding specifically earmarked by the German Government). The purpose of that evaluation was to inform any modifications to the TNFD's Uptake Phase Workplan. This project produced evidence on lessons learned for scaling market adoption of global voluntary and mandatory reporting initiatives and evaluated the strategy the TNFD had initially developed for driving market adoption and meeting the capacity needs of market participants. The TNFD then took forward the evaluation's recommendations as part of the redrafting of its Uptake Phase Workplan.

Learning has been an important part of the TNFD initiative's development to date in other ways too. For example, 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. As a result, the TNFD pursued a comprehensive 'open innovation' approach to ensure widespread participation in the TNFD development process – receiving input from TNFD pilot testers, taskforce members, and consultation groups across multiple geographies and sectors, including specific consultations with groups such as IPLCs.

Furthermore, the TNFD is already global in scope, so there was no scope for using an evaluation to deliberate on whether the intervention could be replicable in other locations. Global, market-led disclosure mechanisms now exist for both nature and climate (in the form of the TNFD and the

TCFD), so there is no future scope for supporting the development of a similar mechanism through Defra ICF funding at a later date.

The TNFD is also planning to produce a TNFD Annual Status Report in the latter part of 2025, which will serve as an evaluative stocktake on the breadth and depth of TNFD market adoption to date – along with an analysis of the style and manner of adoption. The TNFD plans to produce an Annual Status Report every year moving forwards. The inspiration for this idea was based on the TCFD Annual Status Reports that have been produced. It is expected that these Reports will be widely consumed by regulators and policymakers as a tracking tool for market engagement on sustainability issues, and by market participants to see trends and key issues in global market adoption. These Reports will likely involve the use of AI to scrape the Internet for TNFD-aligned corporate reporting and will likely use consultants to interview companies for key insights and regarding the preparations of reports.

### **Transparency**

Existing TNFD programme management documentation and financial disbursements are 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-p0002-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 live 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 'high' or 'very high' categories.
- The residual risks remain 'high' or 'very high' 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 for Defra's Environment Group) 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 programme's current live risks are summarised below, compartmentalised by risk category:

Financial and Fiduciary:

- **Funding for the Secretariat** - At the outset of the Uptake Phase, the TNFD did not have sufficient funds to deliver all the ambitions and goals outlined in its 'TNFD Strategy and Workplan: 2023-2025'. As a result, the TNFD has actively engaged with international foundations and foreign governments to seek additional funding sources. By November 2024, the TNFD Secretariat had successfully managed to close its ~£2.2 million funding gap. Nevertheless, in Q1 2025, the TNFD received a 90-day suspension notice from USAID to stop work on activities funded directly by them. This amounts to ~£68,000. There is no information on what will happen after the 90-day period has passed. In response, the TNFD is scaling up its fundraising efforts to replace any potential future shortfall.

Delivery and Operational:

- **Insufficient buy-in and support from key stakeholders and standards** – Due to the dynamic external landscape of activity, the TNFD cannot achieve its full range of desired outcomes and impact alone. The TNFD has continued to actively engage with key stakeholders to encourage the integration of TNFD-aligned nature risk reporting into global sustainability-related frameworks, standards, and guidance. As a result, the TNFD has strengthened its relationships, collaborations, and alignment with key institutions. For example, the TNFD and GRI have worked together on joint case studies and guidelines, the CDP has produced an updated questionnaire aligned with the TNFD recommendations, the TNFD has produced Correspondence Mapping Tables with three international sustainability standard setters, and the TNFD is currently collaborating on a TNFD Evidence Paper (with Oxford University) on the materiality of nature-related risks, to help inform the ISSB's research project on nature.
- **Risk of Small & Medium-sized Enterprises (SMEs) being unable to meet the demands of TNFD adopters** – To assuage the risk of SMEs being unable to provide the nature data required by their corporate clients, the TNFD is producing a 'SME Toolkit for LEAP Assessments' to address costs and resource requirements, and the TNFD is identifying delivery partners to provide relevant training to value chain companies.
- **Technical challenges associated with using the TNFD framework and therefore with achieving desired impact** – To help overcome anticipated and professed gaps in expertise and capabilities among TNFD adopters, the TNFD is supporting ongoing technical work through the TNFD Working Groups and is undertaking a range of capacity building activities to support market participants with using the LEAP framework and implementing the TNFD recommendations.



- **Lack of understanding on nature risk at senior level** – To provide greater understanding on nature risk at senior level, the TNFD has made significant progress on establishing an international coalition of learning and education partner organisations to deliver high quality interventions that help elevate understanding of nature risk and address capability building needs. For example, the TNFD delivered a ‘TNFD in a Box’ webinar on director duties. The TNFD has established a Learning Lab and Trainer Portal and has joined the Global Capacity Building Coalition.
- **Risk of third-party contracts being awarded unfairly** – The TNFD Secretariat adheres to GFI’s Procurement Policy with regards to contracting downstream delivery partners. The Delivery Chain Map is regularly updated, and the performance of downstream delivery partners is monitored through MEL processes.
- **Risk of delivery partner withdrawal** – There continues to be no evidence to suggest that GFI will withdraw its support for administratively hosting the TNFD Secretariat.

#### Reputational:

- **Risk of media criticism by key influencers or NGOs, with potential accusations of greenwashing** – The TNFD keeps the media and relevant influencers apprised of its communications and messaging. The TNFD actively pursues dialogue and engagement with NGOs to explain its approach, take on board their expertise, input, and feedback, and build confidence in its approach. The TNFD maintains robust, up-to-date Q&As and has access to a media database to maintain horizon-scanning of international media and social media channels. There have been no media controversies pertaining to the TNFD since the final TNFD recommendations and guidance were launched in September 2023.

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

The Defra Grants Hub undertook a Risk and Assurance Review of the TNFD programme in late 2024. The ‘Risk and Assurance Overall RAG’ score was **‘Good’**.

### 3.8 - Lessons identified and implemented

A number of key lessons have been learned since the commencement of the TNFD’s Uptake Phase in autumn 2023. These lessons learned have been identified through extensive feedback from the 40-member TNFD Taskforce, alongside other key stakeholders and market participants. The TNFD has been adjusting its Uptake Phase Workplan to ensure these ‘lessons learned’ are implemented. The TNFD’s iterative, ‘open innovation’ approach during its ‘design and development’ phase enabled the initiative to integrate market feedback on a quarterly basis, in the run up to the publication of the final TNFD recommendations in September 2023.

Please see below the ‘lessons learned’ to date for the Uptake Phase:

- **The TNFD has recognised the need to focus more on the ‘opportunities’ angle of TNFD reporting:** The TNFD has successfully positioned itself as the leading nature-related risk

management and disclosure mechanism for assessing, reporting, and acting on nature-related risks, impacts, dependencies, and opportunities, and is widely recognised globally as the main method through which to operationalise GBF Target 15. Among most stakeholders, the TNFD has successfully anchored its narrative around enlightened financial and investor self-interest (accentuating how nature resilience underpins business resilience) and institutional risk-resilience, rather than corporate social responsibility. However, anecdotal feedback from some quarters suggests that risk management is sometimes associated erroneously with reporting burden. As a result, the TNFD has recognised that there is a need to do more to promulgate a more positive narrative on nature – in a manner that resonates with all stakeholders - and to emphasise the growth and ‘opportunities’ angle of taking action on material nature-related issues. Over the coming months, the TNFD will be working on a typology and case studies to accentuate the benefits that organisations can accrue from capitalising on growing nature-related opportunities.

- **Feedback suggests that some SMEs have found it challenging to meet some of the TNFD reporting demands of their corporate clients:** Now that many organisations are undertaking TNFD reporting and making data and information requests on smaller organisations in their value chains, the TNFD has reflected that some of the specific needs of SMEs were not sufficiently accounted for in the TNFD’s ‘design and development’ phase. In response, the TNFD has taken steps to provide tailored support and resources for SMEs. For example, the TNFD is producing a ‘SME Toolkit for LEAP assessments’ to address cost and resource requirements, and the TNFD is identifying delivery partners to provide relevant training to value chain companies. By empowering SMEs to map, measure, and manage their risks, the TNFD’s SME guidance will help inject more resilience into the SME business pool and will enable more comprehensive and accurate TNFD reporting by their corporate clients.

### 3.9 - Implications of non-approval

Widespread market uptake of the TNFD recommendations 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 progress its uptake phase activities at the same pace or scale. As a result, the effectiveness, outcomes, and ultimate impact of the TNFD would be reduced.

The TNFD has a strong record of success over the uptake phase to date – with an impressive cohort of organisations having committed to report in line with the TNFD recommendations. However, seeing transformational change through to fruition requires continuing efforts by the TNFD to address the remaining knowledge, capacity building, and data needs of market participants, and ongoing support to integrate the work of the TNFD into the ISSB’s emerging global baseline on sustainability reporting.

The cessation of funding would also result in the UK no longer being entitled to sit on the TNFD's Stewardship Council, which is composed of the TNFD's founding partners and major funders and represents an important forum through which to articulate and advance UK perspectives and ensure accountability.