Additional draft guidance for corporates on science-based targets for nature

Beta v0.3

November 2022

framework.tnfd.global
Summary

- When corporates applying the TNFD framework set targets for nature, the TNFD recommends the use of Science Based Targets Network (SBTN) methods.
- The TNFD also recommends corporates use SBTN guidance on measurement of progress and performance against these targets as available.
- SBTN target-setting methods generate data and analytical outputs that help corporates apply parts of the TNFD’s LEAP approach for nature-related risk and opportunity assessment. Conversely, applying the LEAP approach can help corporates generate data needed to set science-based targets (SBTs) for nature.
- Both the TNFD framework and SBTN guidance and methods on SBTs for nature are in development. The TNFD and SBTN are working to align these further to make them easier and more efficient to use. Further updates of this joint guidance will be released by the TNFD and SBTN in 2023.

1. Targets in the TNFD beta framework

This additional guidance on setting science-based targets for nature in the TNFD beta framework provides an overview of relevant SBTN guidance and signposts to SBTN documentation for further details.

Nature-related targets are an important component of the TNFD beta framework:

<table>
<thead>
<tr>
<th>TNFD beta framework component</th>
<th>TNFD draft disclosure recommendation</th>
<th>TNFD LEAP approach for nature-related risk and opportunity assessment, component P2: ‘Target setting &amp; performance management’</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Metrics and targets C’</td>
<td>Describe the targets used by organisations to manage nature-related dependencies, impacts, risks and opportunities and performance against targets.</td>
<td>Describe how organisations set targets and define and measure progress.</td>
</tr>
</tbody>
</table>

Where existing guidance, methods and standards exist, the TNFD beta framework integrates these instead of developing new approaches. Therefore, to set targets for impacts on nature, the TNFD beta framework recommends that corporates use SBTN methods and the SBTN five-step approach to set science-based targets for nature.

When corporates applying the TNFD framework set targets for nature and measure performance against those targets, the TNFD recommends that they set science-based targets for nature following SBTN guidance.
The TNFD is developing an integrated framework for nature-related risk and opportunity management and disclosure. Setting targets to manage impacts on nature, including avoiding and reducing negative impacts as well as increasing positive impacts through restoration and regeneration, is a key component of this framework.

In parallel, the SBTN is developing guidance on science-based targets for nature for three of the realms of nature covered by the TNFD: freshwater, land and ocean. In addition, SBTN is developing target guidance for biodiversity. SBTN’s guidance and methods for science-based targets for nature build on the existing science-based targets for climate developed by the Science Based Targets initiative. SBTN methods and guidance can be used alongside the SBTi methods to set targets for nature and climate. Similarly, the TNFD builds on the existing disclosure recommendations for climate-related risks developed by the Task Force on Climate-related Financial Disclosures (TCFD).

Figure 1: TNFD and SBTN alignment on target-setting

The scope of the TNFD beta framework includes target-setting beyond SBTN’s current methods, including targets for:
- Use by financial institutions
- Downstream value chains
- Impacts on nature that cover the atmosphere realm, including air quality
- Dependencies on nature
- Nature-related risks and opportunities

Further targets guidance covering these areas, as well as transition plans will be a focus of the v0.4 beta release.

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1 The Science-Based Targets Network is a collaboration of over 60 leading global non-profits and mission-driven organisations.
2. How the TNFD and SBTN will develop together

Both the TNFD framework and SBTN methods for science-based targets are in development, and the TNFD and SBTN are working to align these further to make them easier to use.

SBTN will release v1 of its science-based targets for nature for the realms of freshwater and land in early 2023, with oceans and biodiversity to follow (see Figure 2). Like the TNFD framework, SBTN target guidance will evolve over time to reflect the latest science, data, analytics and technology.

The TNFD will work with SBTN and other knowledge partners to develop further draft guidance on targets for nature-related dependencies, risks and opportunities, which are not currently covered in SBTN guidance.

SBTN and the TNFD will continue to update this draft guidance based on SBTN methods updates over time, and conduct joint pilot testing of the TNFD framework and SBTN methods over the next six months.

SBTN and the TNFD will continue to align the TNFD framework and SBTN guidance and methods through ongoing technical collaboration and exchange as knowledge partners.

SBTN target-setting methods generate data and analytical outputs that help corporates to apply parts of the TNFD LEAP approach to nature-related risk and opportunity assessment. Conversely, applying the LEAP approach helps corporates generate data needed to set science-based targets for nature.
3. Five steps to set science-based targets for nature

To set science-based targets for nature, corporates are expected to follow five steps (see Figure 3): (1) assessment of impacts; (2) interpretation of data and prioritisation of locations; (3) baseline data collection, target setting and disclosure; (4) action to meet targets; and (5) monitoring, reporting and verifying progress over time.

Figure 3: SBTN 5-step approach to target-setting

Table 1: Overview of SBTN methods for science-based target setting in the TNFD beta framework

Table 1 shows how corporates move through the SBTN target-setting process and collect the information needed to apply the TNFD LEAP approach for risk and opportunity assessment and the TNFD disclosure recommendations.

<table>
<thead>
<tr>
<th>SBTN step</th>
<th>Sub-step</th>
<th>Objective</th>
<th>Outputs</th>
<th>SBTN data requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1: Assess</td>
<td>Step 1a) Materiality screening</td>
<td>Determine the material pressures most likely to require a corporate to set targets, based on sector-level information.</td>
<td>Ratings of impact materiality per sector/activity</td>
<td>Direct operations Required for impact screening: • List of economic activities involved in the corporate’s direct operations. Upstream Required for impact screening: • List of goods and services procured from upstream suppliers (Tier 1) (services aligned with ISIC Group or other equivalent sectoral classification).2 Recommended for impact screening: • Primary data on pressures (if available from Tier 1 or for commodities with high traceability).</td>
</tr>
</tbody>
</table>

2 The International Standard Industrial Classification of All Economic Activities (ISIC), in v.2 of the TNFD beta framework priority sectors are aligned with the Sustainable Industry Classification System (SICS) developed by SASB, which is now part of the IFRS Foundation and the International Sustainability Standards Board (ISSB). TNFD specific guidance will provide equivalencies to the most commonly used sector classification systems, including ISIC.
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</tr>
</thead>
</table>
| **Step 1:** Assess | Step 1b) Value chain assessment | Estimate a corporate's contributions to key environmental pressures across its operations and value chains to inform the scope of the corporate's targets | Initial estimates of environmental footprint and long list of issue areas | **Direct operations**  
Required for pressure assessment:  
- Secondary data on pressures for all sites and locations within the corporate's organisational boundary.  
- Secondary estimates of state of nature values per location, at least to country level.  
Recommended for pressure assessment:  
- Primary data on pressures for all sites and locations within the corporate's organisational boundary.  

**Upstream**  
Required for pressure assessment:  
- Commodities or activities associated with all of the corporate's direct spend (Tier 1).  
- List of high-impact commodities (both in raw and processed form) in the corporate's sourcing and upstream activities.  
- Estimated volume or spend on high-impact commodities and other goods or services (e.g., distribution) procured from upstream suppliers.  
- Estimated or modelled locations for highest-impact activity, by pressure, for each commodity/activity.  
- Secondary estimates of state of nature values per location, at least to country level.  
Recommended for pressure assessment:  
- Secondary data on pressures for all other commodities and activities. |

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3 TNFD's nature definition and draft guidance on state of nature indicators are broadly aligned with SBTN's.
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 2: Interpret and prioritise</strong></td>
<td>Step 2a) Target boundary</td>
<td>Define corporate scope of target-setting strategy</td>
<td>List of locations associated with each pressure</td>
<td><strong>Direct operations</strong>&lt;br&gt;Required for setting a target boundary:&lt;br&gt;• Data on pressures/impacts per location.&lt;br&gt;Recommended:&lt;br&gt;• Data collected during Step 1 (pressure data for all activities assessed, data on State of Nature (pressure-specific and general), and the locations of all sites).&lt;br&gt;<strong>Upstream</strong>&lt;br&gt;Required for setting a target boundary:&lt;br&gt;• Data on pressures/impacts per location.&lt;br&gt;Recommended:&lt;br&gt;• Data collected during Step 1 (data on pressures, states, and locations of highest impact activities in production chain of high impact commodities).</td>
</tr>
<tr>
<td></td>
<td>Step 2b) Prioritise and screen for feasibility</td>
<td>Create a target-setting strategy based on prioritisation and a feasibility screening</td>
<td>Shortlist of locations associated with activities and commodities for target setting, plus indication of effort required for each</td>
<td>There are no requirements from SBTN for data in this step, as these processes are optional. For feasibility screening, corporates may wish to consider additional data they have readily on hand.</td>
</tr>
<tr>
<td><strong>Step 3: Measure, set and disclose (by nature realm)</strong></td>
<td>Step 3a) Measure baseline</td>
<td>Set targets for material pressures throughout each target boundary</td>
<td>Baseline and target description, a timeline for achieving targets and time-bound program for action</td>
<td><strong>Freshwater guidance (other realms to follow)</strong>&lt;br&gt;<strong>Direct operations</strong>&lt;br&gt;Required for target setting:&lt;br&gt;• Primary data on baseline pressure on water quantity.&lt;br&gt;• Primary data on baseline pressure on water quality for point sources; secondary data on baseline for water quality for non-point sources.&lt;br&gt;<strong>Upstream</strong>&lt;br&gt;Required for target setting:&lt;br&gt;• Primary data on baseline pressure on water quantity if available, secondary data otherwise.&lt;br&gt;• Primary data on baseline pressure on water quality for point sources; secondary data on baseline for water quality for non-point sources.</td>
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<td></td>
<td>Step 3b) Set targets</td>
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<td></td>
<td>Step 3c) Disclose baseline and targets</td>
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**NOTE:** SBTN proposes Step 3 is completed by pressure category. Draft guidance for freshwater quantity and quality (nutrients only) may currently be accessed through the SBTN site and methods for land conversion, and land use will also be available in early 2023. Other target-setting methods for pressures on oceans and biodiversity will be published in future versions of SBTN guidance (see Figure 1).

For more detail, see SBTN draft methods for Step 3 (freshwater).

(Completing the TNFD LEAP approach ‘Scoping the Assessment’, ‘Locate’ and ‘Evaluate’ phases may help corporates complete this target-setting step.)

Corporates that complete this step can use it for the TNFD disclosure recommendation ‘Metrics and targets C’ for targets on nature-related impacts.)
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</thead>
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<tr>
<td>Step 4: Act</td>
<td>Avoid</td>
<td>Develop and implement strategy to meet targets</td>
<td>Company action plans to achieve targets.</td>
<td>*SBTN guidance on Step 4: Act is forthcoming</td>
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<tr>
<td></td>
<td>Reduce</td>
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<tr>
<td></td>
<td>Regenerate</td>
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<tr>
<td></td>
<td>Restore</td>
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<tr>
<td></td>
<td>Transform</td>
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<tr>
<td></td>
<td>Monitor</td>
<td>Report progress against corporate targets</td>
<td>Progress reports and public</td>
<td>*SBTN guidance on Step 5: Track is forthcoming</td>
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<tr>
<td></td>
<td>Report</td>
<td>to provide accountability and gather data</td>
<td>disclosure on targets in line with</td>
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<td></td>
<td>Verify</td>
<td>needed to adjust corporate strategy to meet</td>
<td>SBTN Monitoring, Reporting and</td>
<td></td>
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<td></td>
<td></td>
<td>targets (if necessary)</td>
<td>Verification (MRV) guidance.</td>
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</table>

When applying SBTN methods, corporates should reference SBTN criteria on data quality and tools.⁴

**For additional guidance on setting science-based targets aligned with SBTN, visit SBTN Resources.**

**Note on further updates to SBTN and this guidance document:**
- All SBTN resources will be updated with the release of new versions, beginning with science-based targets for nature v1 in early 2023.
- This additional draft guidance document for corporates on science-based targets in the v0.3 of the TNFD beta framework will be updated in line with science-based targets for nature v1 for inclusion in v1.0 of the TNFD framework in September 2023.

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⁴ See SBTN Technical Guidance on Step 1, Appendix 4.