



**Taskforce on Nature-related  
Financial Disclosures**

# **Societal dimensions of nature-related risk management and disclosure:**

## **Considerations for the TNFD framework**

**November 2022**

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# 1. Scope and aims of paper

Through this discussion paper, the Taskforce on Nature-related Financial Disclosures (TNFD) aims to deepen and broaden dialogue and feedback on the integration of societal dimensions of nature-related risk management and disclosure in the TNFD framework.

The TNFD's mission is to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. The TNFD aims to provide business and financial institutions with a practical and science-based framework to factor nature into financial and business decisions.

The Taskforce recognises that to deliver on its mission, the TNFD risk management and disclosure framework must necessarily reflect the societal dimensions of nature-related dependencies, impacts, risks and opportunities. Building on v0.1 and v0.2 of the beta framework, in v0.3, the Taskforce has taken further significant steps to integrate societal dimensions meaningfully into the TNFD beta framework.

This discussion paper sets out how the Taskforce continues to consider how to integrate societal dimensions of nature-related issues into its framework. It includes:

- An overview of societal dimensions of nature-related risk and opportunity management and disclosure identified by the Taskforce as relevant to the design and development of the TNFD framework (Section 2);
- An update on how societal dimensions are integrated into v0.3 of the beta framework (Section 3);
- An update on the next steps of the Taskforce, and key questions the TNFD would welcome further feedback on (Section 4); and
- A summary of feedback received by the Taskforce on societal dimensions since the v0.1 release of the beta framework (Annex).

Version 0.3 of the TNFD beta framework can be viewed in full on [the TNFD online platform](#).

## Box 1: Feedback and input channels to TNFD on societal dimensions of the framework

The Taskforce has welcomed the significant and valuable feedback it has already received from representatives of Indigenous Peoples and Local Communities (IPLCs) and a range of stakeholders, including civil society organisations, academics and businesses, on the integration of societal dimensions into the TNFD framework. This feedback is summarised in the Annex to this paper.

Feedback and input has been received through:

- Written feedback submissions provided to the Taskforce since the launch of the v0.1 beta framework in March 2022;
- A structured dialogue that the TNFD has convened with representatives of Indigenous Peoples and Local Communities (IPLCs) since early 2022, including representatives of the International Indigenous Forum on Biodiversity (IIFB), with facilitation support from the IUCN;
- Regular dialogue sessions with, and valuable written feedback from, a global network of civil society organisations;
- Exploratory conversations with Indigenous-led enterprise leaders regarding pilot testing of the TNFD beta framework; and
- A landscape assessment of business and human rights considerations based on current international law and best practice.

## 2. Societal dimensions of nature-related risk management and disclosure

Building on the feedback it has received, the Taskforce has identified four key societal dimensions that are critically relevant to the design and development of the TNFD nature-related risk management and disclosure framework:

- Consideration of **human rights / environmental rights**, including the right to access to a clean and sustainable environment and the interplay between other human rights related to nature/environmental rights;
- The stewardship role, rights and traditional knowledge of **Indigenous Peoples and Local Communities (IPLCs)**;
- **Access and benefit sharing** from the use of genetic resources and other environmental assets, and related traditional knowledge; and
- Issues of **social justice and equity**, and the need for a **just transition** to a nature-positive and net-zero economy.

**Figure 1: Key societal dimensions relevant to design of the TNFD nature-related risk management & disclosure framework**



Each of these dimensions is complex in its own right and many other initiatives have developed, and are developing, guidance for business and finance on them. A core principle of the TNFD framework is to integrate existing and emerging standards relevant to its scope. This paper therefore identifies some of these key standards on societal dimensions relevant to nature-related risk and opportunity management and disclosure.

The Taskforce remains focused on its mission – to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. The TNFD recognises that fully addressing all facets of the four societal dimensions identified in this paper is beyond the remit of developing a risk management and disclosure framework. The Taskforce welcomes work from other initiatives that provide complementary progress addressing these societal dimensions and will build on existing work as relevant to its framework.

### 2.1. Human and environmental rights

Human rights and nature are increasingly recognised as interconnected. The term ‘environmental rights’ refers to any proclamation of a human right to environmental conditions of a specified quality.<sup>1</sup> Upholding of human rights therefore by definition rely on a safe, clean and healthy environment. The right to a healthy environment is enshrined in over 150 national constitutions;<sup>2</sup> and the right to a clean, healthy and sustainable environment for all people is now recognised as a universal human right through the UN General Assembly.<sup>3</sup>

Nature loss and degradation can lead to violation of internationally recognised human or environmental rights for people affected by that nature loss. This may include both communities that live in or near the ecosystems that have been destroyed or degraded, and communities living far away, as impact drivers such as water and air pollution can have nature impacts far from their source. Indirectly, nature loss can also lead to the violation of other human rights, including rights to food, water, and housing. Conversely, advancing the rights of Indigenous Peoples and Local Communities can contribute to nature-positive outcomes given their stewardship role and traditional knowledge (see Section 2.2), and negative outcomes for nature if those rights are not upheld.

The scope of the responsibility to respect human rights encompasses “all internationally recognised human rights” understood, at a minimum, as those expressed in the International Bill of Human Rights (the Universal Declaration on Human Rights and the two International Covenant on Civil and Political Rights and Economic, Social and Cultural Rights) and the principles on fundamental labour rights set out in the ILO Declaration on Fundamental Principles and Rights at Work.<sup>4</sup>

<sup>1</sup> UNEP. What are environmental rights?; United Nations Human Rights Office of the High Commissioner. Special Rapporteur on the issue of human rights obligations relating to the enjoyment of a safe, clean, healthy and sustainable environment

<sup>2</sup> UNEP (2019). Environmental Rule of Law: First Global Report. United Nations Environment Programme, Nairobi.

<sup>3</sup> General Assembly resolution 76/300 (July 2022) Promotion and protection of human rights: human rights questions, including alternative approaches for improving effective enjoyment of human rights and fundamental freedoms.

<sup>4</sup> United Nation (1948). Universal Declaration of Human Rights

While states (governments) have an obligation to protect and fulfill human rights, it is generally accepted now that companies have an independent responsibility to ensure they respect these rights. As such, in addition to human rights and environmental rights being enshrined in national law and regulation (see section below), a global architecture of normative standards has been established – and increasingly integrated – based on the fundamental premise that business operations are intertwined with risks and impacts related to human rights. While company commitment and implementation vary by sector and region, the corporate responsibility to respect human rights is now a firmly established expectation that has in turn intensified expectations and pressures for accountability and disclosure.

### The UN Guiding Principles on Business and Human Rights (UNGPs)

The UN Guiding Principles on Business and Human Rights (UNGPs), often referred to as ‘the Ruggie Principles’, are the authoritative, global standard on business and human rights.<sup>5</sup>

The UNGPs state that all companies, regardless of size, sector, ownership or structure, have a fundamental responsibility to respect human rights throughout their global operations. The scope of the responsibility applies to human rights impacts that a company may cause or contribute to as well as to those that are directly linked to its operations, products or services through its business relationships (in its value chain, including suppliers and business partners beyond first tier suppliers).

Considering nature-related aspects of the UNGPs in particular, this includes a requirement to “do no harm” by not participating or supporting through supply chain relationships attacks against environmental defenders or actions that seek to constrain their work. This requirement is strongly relevant to nature-related dependencies, impacts and risks, as in the past decade, more than 1,700 land and environmental defenders were murdered – 200 were killed in 2021 alone.

“Knowing and showing” that a business respects human rights is an active responsibility that requires policies and processes to identify, prevent and mitigate any adverse human rights impacts. There are three key requirements:

- A human rights policy statement.
- Human rights due diligence processes appropriate to the size and circumstances of the company, including four main steps to human rights due diligence:
  - Assessing potential and actual adverse impacts with which the company may be involved (through human rights impact assessments);
  - Integrating findings across the organisation, including actions to prevent or mitigate potential and actual adverse impacts;
  - Tracking the effectiveness of the company’s responses to address risks and impacts; and

<sup>5</sup> The UN Guiding Principles on Business and Human Rights. (2011)

- Communicating publicly on how the company implements policies and addresses risks.
- Processes to enable the remediation of any adverse impacts that the company causes or contributes to, including operational-level grievance mechanisms where relevant.

The UNGPs now serve as a foundation and key reference point for other initiatives aimed at addressing broader responsible business conduct including human rights. These initiatives include the OECD Guidelines for Multinational Enterprises (OECD Guidelines), UN Global Compact, the Principles for Responsible Investment (PRI), the Principles for Responsible Banking (PRB), the Equator Principles and the IFC Sustainability Framework including its performance standards.

### National human and environmental rights related law and regulation

Over 155 countries have binding legal obligations to respect, protect and fulfill the right to a healthy environment<sup>6</sup> in their fundamental legal framework, namely national constitutions. National legal frameworks, regulations and policies related to environmental rights (including the rights of nature) and environmental licensing, environmental impact assessment and monitoring requirements vary across jurisdictions and are important for business operations.

While the UNGPs themselves are not legally binding, they have served as direct inspiration for a growing movement of legislative and regulatory developments in many markets to make respect for human rights legally binding on companies.

A number of national and EU initiatives have been established or are under development to create legally binding standards for corporate mandatory human rights due diligence (mHRDD). Draft legislation on human rights and environmental corporate due diligence is under discussion in the European Union at present.<sup>7</sup> In addition to these broad mHRDD initiatives, there has also been a movement toward sector or issue-specific legislation requiring some measure of due diligence and/or disclosure, such as the French Duty of Vigilance Law, the UK Modern Slavery Act, Section 1502 regulation in the US Dodd-Frank Act on conflict minerals, the Dutch child labor law and similar legislation in jurisdictions from Australia to California.

These initiatives reflect a growing movement towards making human rights due diligence a legal requirement. Companies that find themselves complying with a growing set of expectations and standards have largely welcomed these initiatives as a way of providing clarity of expectations and creating a more level playing field.

<sup>6</sup> UN General Assembly - Human rights obligations relating to the enjoyment of a safe, clean, healthy and sustainable environment. 19 July, 2018.

<sup>7</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_1145](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145)

## The OECD Guidelines for Multinational Enterprises

The OECD Guidelines set out responsible business conduct in the areas of labour rights, human rights, the environment, bribery, consumer protection and corporate governance. While not legally binding on companies, all OECD government signatories to the OECD Investment Declaration commit to implementing the Guidelines in their jurisdictions. The OECD Guidelines were updated in 2011 to align with the UNGPs on the corporate responsibility to respect human rights. The OECD Guidelines also adopted the concept of due diligence as set out in the UNGPs to all areas of responsible business conduct.

To support and encourage adoption, the OECD has also developed several non-binding due diligence documents that explain the concepts in the Guidelines and offer practical guidance on implementation:

- General guidance on due diligence responsible business conduct, relevant to all sectors; and
- Sector-specific due diligence guidance for:
  - The financial sector
  - Minerals supply chains in the extractive sector
  - Apparel and footwear
  - Agricultural sector
  - Stakeholder engagement in the extractives sector

### Box 2: The Human Rights aspects of the OECD Guidelines for Multinational Enterprises<sup>8</sup>

‘States have the duty to protect human rights. Enterprises should, within the framework of internationally recognised human rights, the international human rights obligations of the countries in which they operate as well as relevant domestic laws and regulations:

1. Respect human rights, which means they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.
2. Within the context of their own activities, avoid causing or contributing to adverse human rights impacts and address such impacts when they occur.
3. Seek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products or services by a business relationship, even if they do not contribute to those impacts.
4. Have a policy commitment to respect human rights.
5. Carry out human rights due diligence as appropriate to their size, the nature and context of operations and the severity of the risks of adverse human rights impacts.
6. Provide for or co-operate through legitimate processes in the remediation of adverse human rights impacts where they identify that they have caused or contributed to these impacts.’

### The TNFD perspective

The UNGP and OECD Guidelines for Multinational Enterprises are relevant reference points for the TNFD to consider when assessing how to integrate societal dimensions into its framework. Given the focus in the OECD guidelines on a commitment to a corporate policy statement, a requirement to undertake due diligence on direct and supply chain activities and a requirement to take action where the company's degree of influence indicates it can positively affect the outcomes, the Taskforce is considering how a company's adherence to the UNGP and OECD Guidelines might be reflected in the TNFD framework.

<sup>8</sup> OECD Guidelines for Multinational Enterprises

## 2.2. The stewardship role, rights and traditional knowledge of Indigenous Peoples and Local Communities (IPLCs)

Indigenous Peoples and Local Communities have proved highly effective in protection of ecosystems through their knowledge, community-led practices and institutions. Biodiversity indicators show declines of 30% less and 30% more slowly in Indigenous lands than in lands not managed by Indigenous Peoples.<sup>9</sup> Indigenous Peoples comprise less than 5% of the world's population, but it is estimated that they protect and steward 80-95% of the earth's biodiversity.<sup>10</sup>

Indigenous Peoples are often particularly vulnerable to adverse impacts from business activities that result in changes to land use and/or environmental impacts, because of their close association with nature — for cultural, spiritual and religious reasons as well as for survival and access to food, shelter and water. Therefore, there is an important convergence between threats to nature and threats to the rights of Indigenous Peoples and Local Communities.

Given the diversity of Indigenous Peoples, no universal definition has been adopted. However, Indigenous Peoples have particular rights that stem from their right to self-determination, and which are articulated in the UN Declaration on the Rights of Indigenous Peoples, ILO Convention 169 (Indigenous and Tribal Peoples Convention) and the Convention on Biological Diversity.<sup>11</sup>

The right to 'Free, Prior and Informed Consent' (FPIC) in decisions that affect them is a cornerstone of the framework of rights pertaining to Indigenous Peoples. FPIC implies that their engagement process with corporates and financial institutions is characterised as:

- *Free*: freely given and the process is free from coercion and intimidation in any form;
- *Prior*: taking place before decisions that affect Indigenous Peoples are made;
- *Informed*: in a manner and language that is accessible to Indigenous Peoples, providing full information about both risks and opportunities; and
- *Consent*: a collective decision made by rights-holders through their own decision-making mechanisms. If consent is given, it can later be withdrawn.

In practice, engagement is often carried out in ways that are not consistent with international human rights or ignored altogether. From the perspective of business and finance, non-legal and non-binding approaches to FPIC and the capacity to subsequently withdraw consent complicate, or negate, the ability to secure legally binding commitments as a condition precedent for project development approval and the securing of needed project finance from third-party financial institutions.

9 Ichii, K. et al. 2019. IPBES Global Assessment on Biodiversity and Ecosystem Services – Chapter 2.2 Status and Trends – Nature.

10 WWF 2020. Recognising Indigenous People's Land Interests is Critical for People and Nature

11 ILO Convention 169 on Indigenous and Tribal Peoples (1989); UN Permanent Forum on Indigenous issues; Secretariat of the Convention on Biological Diversity (2019). Glossary of Relevant Key Terms and Concepts within the Context of Article 8(j) and Related Provisions

Indigenous, traditional and local knowledge plays a vital role in ecosystem management<sup>12</sup> and can play a key role in the design and scaling-up of nature-related opportunities, including nature-based solutions and ecosystem-based solutions or approaches. Article 8(j) of the Convention on Biological Diversity on traditional knowledge, innovations and practices reinforces this by stating that *"Each contracting Party shall, as far as possible and as appropriate: Subject to national legislation, respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity and promote their wider application with the approval and involvement of the holders of such knowledge, innovations and practices and encourage the equitable sharing of the benefits arising from the utilization of such knowledge innovations and practices."*<sup>13</sup>

### The TNFD perspective

The TNFD recognises that there is no universal definition for Indigenous Peoples and Local Communities (IPLCs) but that the term may represent diverse peoples and communities of single or multiple ethnicities with self-identification as a fundamental criterion.<sup>14</sup> The TNFD recognises that IPLCs play a critical role as stewards of nature. It also recognises that they have particular rights. Furthermore, the Taskforce appreciates in relation to nature-related opportunities that IPLCs have valuable traditional knowledge on ecosystem conservation, management and restoration, ecosystem trends, nature-based solutions and ecosystem-based solutions or approaches, where FPIC is relevant.

12 IPBES (2022) Summary for Policymakers of the Methodological Assessment Report on the Diverse Values and Valuation of Nature of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

13 Secretariat on the Convention on Biological Diversity (2022). Article 8j – Traditional Knowledge, Innovations and Practices and related provisions

14 IPBES uses the term 'indigenous peoples and local communities' and its acronym 'IPLC' to refer to individuals and groups who self-identify as indigenous or as members of distinct local communities, with particular emphasis on those who "maintain an inter-generational historical connection to place and nature through livelihoods, cultural identity, languages, worldviews, institutions, and ecological knowledge".

### Box 3: IUCN Global Standard on Nature-based Solutions

The IUCN Global Standard on Nature-based Solutions sets out criteria for the design of nature-based solutions to ensure they respond to societal challenges identified as a priority for those affected. It includes 8 criteria and 28 indicators.

Criterion 1 focuses on identifying, prioritising and using nature-based solutions (NbS) to address societal challenges. The purpose of the first criterion is to ensure that a NbS is designed as a response to a societal challenge(s) that has been identified as a priority by those who are or will be directly affected by the challenge(s). It states that all stakeholders, especially rights-holders and beneficiaries of the NbS, must be involved in the decision-making process used for identifying the priority challenge(s).

Criterion 1 outlines the following indicators:

- The most pressing societal challenge(s) for rights-holders and beneficiaries are prioritised;
- The societal challenge(s) addressed are clearly understood and documented; and
- Human well-being outcomes arising from the NbS are identified, benchmarked and periodically assessed

The scope of societal challenges currently includes climate change (adaptation and mitigation), disaster risk reduction, ecosystem degradation and biodiversity loss, food security, human health, social and economic development and water security, however as NbS evolve, there may be other specific challenges recognised within this scope.

One or more societal challenges can be the entry point; however, the priority is to leverage the potential NbS to provide multiple benefits, whereby one intervention addresses several challenges.

## 2.3. Access and benefit sharing

Access and benefit sharing of the use of genetic resources<sup>15</sup> and related traditional knowledge, and the fair and equitable sharing of benefits arising is covered in the Nagoya Protocol, a supplementary agreement to the Convention on Biological Diversity<sup>16</sup> and will be a key part of the Global Biodiversity Framework (GBF) under negotiation as part of the CBD COP-15 meeting in December 2022.

<sup>15</sup> Genetic resources are defined by the Convention on Biological Diversity as 'genetic material of actual or potential value.'

<sup>16</sup> The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilisation to the Convention on Biological Diversity was adopted in 2010 in Nagoya, Japan. One of the key tools for operationalising the Protocol is the Access and Benefit-sharing (ABS) Clearing-House.

Access and benefit-sharing in the Nagoya Protocol is based on the principle of Prior Informed Consent (PIC)<sup>17</sup> being granted by a provider to a user and negotiations between both parties to develop Mutually Agreed Terms (MAT) to ensure the fair and equitable sharing of genetic resources and associated benefits.<sup>18</sup> Article 21 of the Nagoya Protocol emphasises the importance of genetic resources and traditional knowledge associated with genetic resources, and related access and benefit-sharing.

### The TNFD perspective

The Taskforce is evaluating whether and how to integrate access and benefit sharing into the TNFD framework. The TNFD believes the important principles of access and benefit sharing are key to any engagement between companies and local communities and that the quality and nature of that dialogue should be disclosed.

High-quality dialogue and collaboration between corporates and Indigenous Peoples and Local Communities, embracing these principles, would be a sign of a genuinely collaborative approach to the use of genetic resources – and environmental assets more broadly – and traditional knowledge.

## 2.4. Social justice, equity and a just transition

### Social justice and equity

Responding to growing concern from society and governments, many companies and financial institutions have increased their focus on a broader set of social justice and equity considerations in recent years. Social justice and equity considerations are critical to an organisation's social license to operate and therefore need to be part of its risk and opportunity assessment and management process. Pressure for social justice and equity related disclosures has also gathered momentum.

As TNFD's core concepts and definitions make clear, people are part of nature, and depend on nature for ecosystem services. One important equity dimension of nature-related issues is *who* has access to environmental assets, who benefits from the provision of ecosystem services, who is affected by changes in the state of nature and impact drivers (such as air, water and soil pollution) and the distribution of related costs and benefits. Different demographic groups may be differently affected – by income level, race and ethnicity and gender.

Social justice and equity relate not only to the distribution of nature-related costs and benefits but also the process for engagement with stakeholders, including rights-holders.

### Just transition

The transition to a nature-positive and net-zero economy has generated recognition of the importance of a 'just transition'. While transitioning to a nature-positive and net-zero economy would create societal benefits overall, including decent jobs at a large-scale

<sup>17</sup> PIC is 'The permission given by the competent national authority of a provider country to a user prior to accessing genetic resources, in line with an appropriate national legal and institutional framework.' <https://learnnagoya.com/guides/>

<sup>18</sup> Secretariat of the Convention on Biodiversity (2011). Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilisation to the Convention on Biodiversity

and upholding of environmental rights, these benefits - as well as societal costs - would not automatically be distributed in a just manner. A 'just nature transition' would deliver decent work, social inclusion and the eradication of poverty in the shift to a net-zero and nature-positive economy.<sup>19</sup>

The ILO has developed 'Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All' to ensure the transition contributes to 'decent work for all, social inclusion and the eradication of poverty.'<sup>20</sup> Labour rights organisations such as the International Trade Union Confederation (ITUC) are particularly focused on a just transition aiming to ensure that the transition of economies towards more environmentally sustainable models and sources of energy is fair and inclusive, and respects international labour rights.

While most of the guidelines around a just transition have been focused on the transitioning to net-zero, in particular the transition of the energy sector away from fossil fuels, these are also relevant for the transition to a nature-positive economy. In addition, some recommendations are now emerging specific to a just transition to nature-positive.<sup>21</sup>

The ILO Guidelines for a Just Transition, like the OECD Guidelines on Human Rights for Multinational Enterprises, point to the need for organisations to have high-quality stakeholder engagement processes as a cornerstone of effective risk and opportunity management and response. As the maintenance of an organisation's underlying 'social license to operate' becomes more complex and multi-faceted, it is increasingly clear that inadequate and ineffective engagement with stakeholders, including rights-holders, is itself a source of risk to an organisation. Conversely, if done well it can be a source of competitive advantage driving customer loyalty and creating new commercial opportunities.

### The TNFD perspective

The Taskforce is working to understand where equity, social justice and just transition considerations intersect with nature-related risk management and disclosure and the development of the TNFD framework. The TNFD has proposed in v0.3 the beta framework a new draft disclosure requirement (Risk Management E) on the quality of an organisation's engagement processes with stakeholders, including rights-holders. The TNFD will develop this guidance, building from existing guidelines and standards that relate to social justice, equity and just transition concerns, including from the OECD and ILO guidelines and knowledge partners engaged in relevant work, such as the Global Reporting Initiative (GRI).

<sup>19</sup> Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy, London School of Economics and Political Science (2022) Just Nature: How finance can support a just transition at the interface of action on climate and biodiversity.

<sup>20</sup> International Labor Organization (2015)

<sup>21</sup> Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy, London School of Economics and Political Science (2022) Just Nature: How finance can support a just transition at the interface of action on climate and biodiversity.

### Box 4: GRI Stakeholder Inclusiveness Principle

The GRI Stakeholder Inclusiveness Principle identifies that a reporting organisation shall identify its stakeholders and explain how it has responded to their reasonable expectations and interests. Disclosure areas highlighted include:

- Disclosure 102 - 40 List of stakeholder groups
- Disclosure 102 - 42 Identifying and selecting stakeholders
- Disclosure 102 - 43 Approach to stakeholder engagement
- Disclosure 102 - 44 Key topics and concerns raised

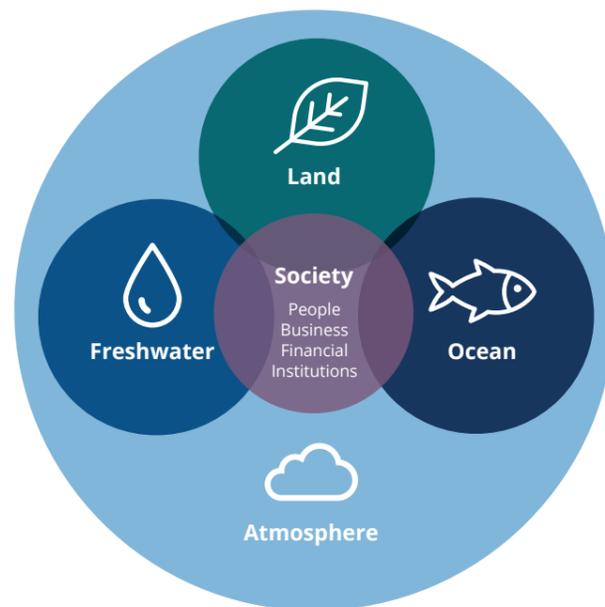
### 3. Societal dimensions in v0.3 of the TNFD beta framework

As summarised above, the latest version of the TNFD beta framework (v0.3) incorporates societal dimensions of nature-related dependencies, impacts, risks and opportunities in the three core components of the TNFD beta framework: core definitions and concepts; the draft disclosure recommendations and the TNFD nature-related risk and opportunity assessment approach (LEAP). In v0.4 of the beta framework, the Taskforce will add further guidance (see Section 4).

#### 3.1. Core concepts and definitions

A cornerstone of the TNFD framework is its definition of 'nature' which includes people.<sup>22</sup> This reflects the view of the Taskforce that halting and reversing nature loss requires acknowledging a shared dependence on nature. This view is also shared in the 'Global Goal for Nature',<sup>23</sup> the Convention on Biological Diversity (CBD), the Sustainable Development Goals and the newly UN-acknowledged human right to a clean, healthy and sustainable environment.<sup>24</sup>

Figure 2: People at the centre of the TNFD's four realms of nature



The TNFD's draft definitions specifically recognise the links with people and wider society: (see Table 1):

22 TNFD defines nature as 'the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment'. This builds on the IPBES definition in Diaz, S et al. 2015. The IPBES Conceptual Framework – connecting nature and people.

23 <https://www.naturepositive.org/>

24 In July 2022, the UN General Assembly adopted a historical resolution, declaring access to a clean, healthy and sustainable environment, a universal human right.

Table 1: The TNFD's definitions particularly relevant to societal dimensions

TNFD definition	Link to societal dimensions
<b>Ecosystem services</b> – The contributions of ecosystems to the benefits that are used in economic and other human activity.	Recognises that nature provides essential services to society, such as shelter, food and water, and other ecosystem services, such as water regulation, air filtration, pollination, and the provision of biomass.  These benefit all of society, not only corporates and financial institutions.
<b>Nature's contributions to people</b> - All the contributions, both positive and negative, to people's quality of life. <sup>25</sup>	Recognises that culture is central to all links between people and nature and the importance of other knowledge systems, including those of local communities and Indigenous Peoples. <sup>26</sup>  Although the TNFD uses the term ecosystem services, as it is already well understood and used by the private sector, the Taskforce recognises that it will be important for users of the framework to understand the many aspects of nature's contributions to people.
<b>Impacts on nature</b> – A change in the state of nature, which may result in changes to the capacity of nature to provide value to business and society and/or instrumental, relational and intrinsic value	Recognises that impacts on nature affect many people who depend on nature for ecosystem services / nature's contributions to people.
<b>Nature-related risks</b> - Potential threats posed to an organisation linked to their and wider society's dependencies on nature and nature impacts. These can derive from physical, transition and systemic risks	Recognises threats posed to people and organisations who depend on nature

Table 1: Continued overleaf

25 Diaz, S et al. 2015. The IPBES Conceptual Framework – connecting nature and people.

26 Diaz, S., Pascual, U., et al. 2018. Assessing nature's contributions to people, *Science*, 359/6373: 270–2.

Table 1: Continued

TNFD definition	Link to societal dimensions
<b>Nature-related opportunities</b> - Activities that create positive outcomes for organisations, and nature by creating positive impact on nature or mitigating negative impacts on nature.	Recognises that opportunities generated by positive impacts on nature or mitigation of negative impacts, will also be interconnected with impacts on society which require consideration.
<b>Transition risks</b> - Nature-related transition risks are risks that result from a misalignment between an organisation's or investor's strategy and management and the changing regulatory, policy or <i>societal landscape</i> in which it operates.	Recognises that transition risk is shaped by the perspectives and awareness of society on nature loss, and actions to shape policies and regulations, challenge reputations and litigate.
<b>Dependencies</b> - Aspects of ecosystem services that an organisation or <i>other actors</i> relies on to function. Dependencies include ecosystems' ability to regulate water flow, water quality, and hazards like fires and floods; provide a suitable habitat for pollinators (who in turn provide a service directly to economies), and sequester carbon (in terrestrial, freshwater and marine realms).	Recognises society's dependency on ecosystem services.
<b>Impacts</b> - Changes in the state of nature, which may result in changes to the capacity of nature to <i>provide social</i> and economic functions. Impacts can be positive or negative. They can be the result of an organisation's or another party's actions and can be direct, indirect or cumulative.	Recognises how positive or negative changes in the state of nature link to social functions.
<b>Nature-based solutions</b> - Actions to protect, sustainably manage and restore natural or modified ecosystems that address <i>societal</i> challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.	Recognises solutions that address societal challenges and provide benefits to human well-being

Table 1: Continued

TNFD definition	Link to societal dimensions
<b>Instrumental values</b> – Means to a desired end often associated with the notion of “ecosystem services”. <i>(IPBES assessment of the diverse values and valuation of nature)</i>	Recognises the benefits that ecosystems provide to people, including business and society (ecosystem services).
<b>Intrinsic values</b> – the values of nature expressed independently of any reference to people as valuers and include entities such as habitats or species that are worth protecting as ends in and of themselves. <i>(IPBES assessment of the diverse values and valuation of nature)</i>	Recognises that nature has values independently of any reference to people.
<b>Rights-holders</b> - Under the Universal Declaration of Human rights, all human beings are ‘rights-holders.’ However, not all individuals will have their human rights put at risk or impacted by a project or its associated activities. It is important to identify human rights risks related to project activities among stakeholders and recognise such stakeholders as ‘rights-holders’ in the context of engagement activities. <sup>27</sup>	Recognises the importance of identifying rights-holders in the context of stakeholder engagement activities.
<b>Stakeholders</b> - Stakeholders are persons or groups who are directly or indirectly affected by a project, as well as those who may have interests in a project and/or the ability to influence its outcome, either positively or negatively. <i>(OECD Guidance)</i>	Recognises stakeholders as all groups or people who may be affected by a project or have interests or ability to influence a project
<b>Stakeholder engagement</b> - Involves interactive processes of engagement with relevant stakeholders, through, for example, meetings, hearings or consultation proceedings. <i>Effective stakeholder engagement</i> is characterised by two-way communication and depends on the good faith of the participants on both sides. <i>(OECD Guidance)</i>	Recognises engagement process with stakeholders as an interactive two-way communication and depends on

<sup>27</sup> OECD (2017), OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector, OECD Publishing, Paris, <https://doi.org/10.1787/9789264252462-en>

### 3.2. Draft disclosure recommendations

In v0.3 of the beta framework, the Taskforce has taken significant steps to integrate societal dimensions meaningfully into the TNFD draft disclosure recommendations:

- **Revised language for the third pillar of the TNFD disclosure recommendations to ‘Risk and Impact Management’** (changed from the initial TCFD language “Risk Management”). This revised language is being proposed by the TNFD to incorporate disclosure of nature-related impacts and dependencies, alongside the nature-related risks and opportunities that arise from those dependencies and impacts on nature.
- Adaptation of the TCFD Metrics and Targets B disclosure (on emissions) to reflect **impacts on nature**, which recommends that organisations ‘describe the metrics used by the organisation to assess and manage direct, upstream and, if appropriate, downstream impacts on nature.’
  - These updates recognise the importance of managing impacts on nature and people who depend on nature.
- A **new recommended disclosure on stakeholder, including rights-holder, engagement** under the ‘Risk and Impact Management’ pillar, which recommends that organisations ‘describe how stakeholders, including rights-holders, are engaged by the organisation in its assessment and response to nature-related dependencies, impacts, risks and opportunities.’
  - This update recognises the importance of engaging stakeholders, including rights-holders.
- A **new recommended disclosure on traceability** under the ‘Risk and Impact Management’ pillar, which recommends that organisations ‘describe the organisation’s approach to locate the sources of inputs used to create value that may generate nature-related dependencies, impacts, risks and opportunities.’ Traceability refers to having transparent, accurate and complete data for the organisation to understand critical sourcing locations along the value chain in order to trace and manage nature-related dependencies, impacts, risks and opportunities.
  - This update recognises the importance of transparency and traceability along value chains, to understand location-specific impacts and dependencies on nature including on local communities.

In v0.3 of the beta framework, the Taskforce has set out a proposed adaptable ‘core’ and ‘enhanced’ application of the recommended disclosures, depending on the type and size of the disclosing organisation.

Figure 3: Updates to the TNFD draft disclosure recommendations in v0.3 of the beta framework that relate to societal dimensions

TNFD Nature-related Disclosure Recommendations (v0.3)			
Governance	Strategy	Risk & Impact Management	Metrics & Targets
Disclose the organisation’s governance around nature-related dependencies, impacts, risks & opportunities.	Disclose the actual and potential impacts of nature-related risks and opportunities on the organisation’s businesses, strategy and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage relevant nature-related dependencies, impacts, risks and opportunities where such information is material.
<b>Recommended Disclosures</b>	<b>Recommended Disclosures</b>	<b>Recommended Disclosures</b>	<b>Recommended Disclosures</b>
A. Describe the board’s oversight of nature-related dependencies, impacts, risks and opportunities.  B. Describe management’s role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium, and long term.  B. Describe the impact of nature-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.  C. Describe the resilience of the organisation’s strategy, taking into consideration different scenarios.  D. Describe the organisation’s interactions with low integrity ecosystems, high importance ecosystems or areas of water stress.	A. Describe the organisation’s processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities.  B. Describe the organisation’s processes for managing nature-related dependencies, impacts, risks and opportunities.  C. Describe how processes for identifying, assessing, and managing nature-related risks are integrated into the organisation’s overall risk management.  D. Describe the organisation’s approach to locate the sources of inputs used to create value that may generate nature-related dependencies, impacts, risks and opportunities.  E. Describe how stakeholders, including rights-holders, are engaged by the organisation in its assessment and response to nature-related dependencies, impacts, risks and opportunities.	A. Disclose the metrics used by the organisation to assess and manage nature-related risks and opportunities in line with its strategy and risk management process.  B. Disclose the metrics used by the organisation to assess and manage direct, upstream and, if appropriate, downstream dependencies and impacts on nature.  C. Describe the targets used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and performance against targets.  D. Describe how targets on nature and climate are aligned and contribute to each other, and any trade-offs.

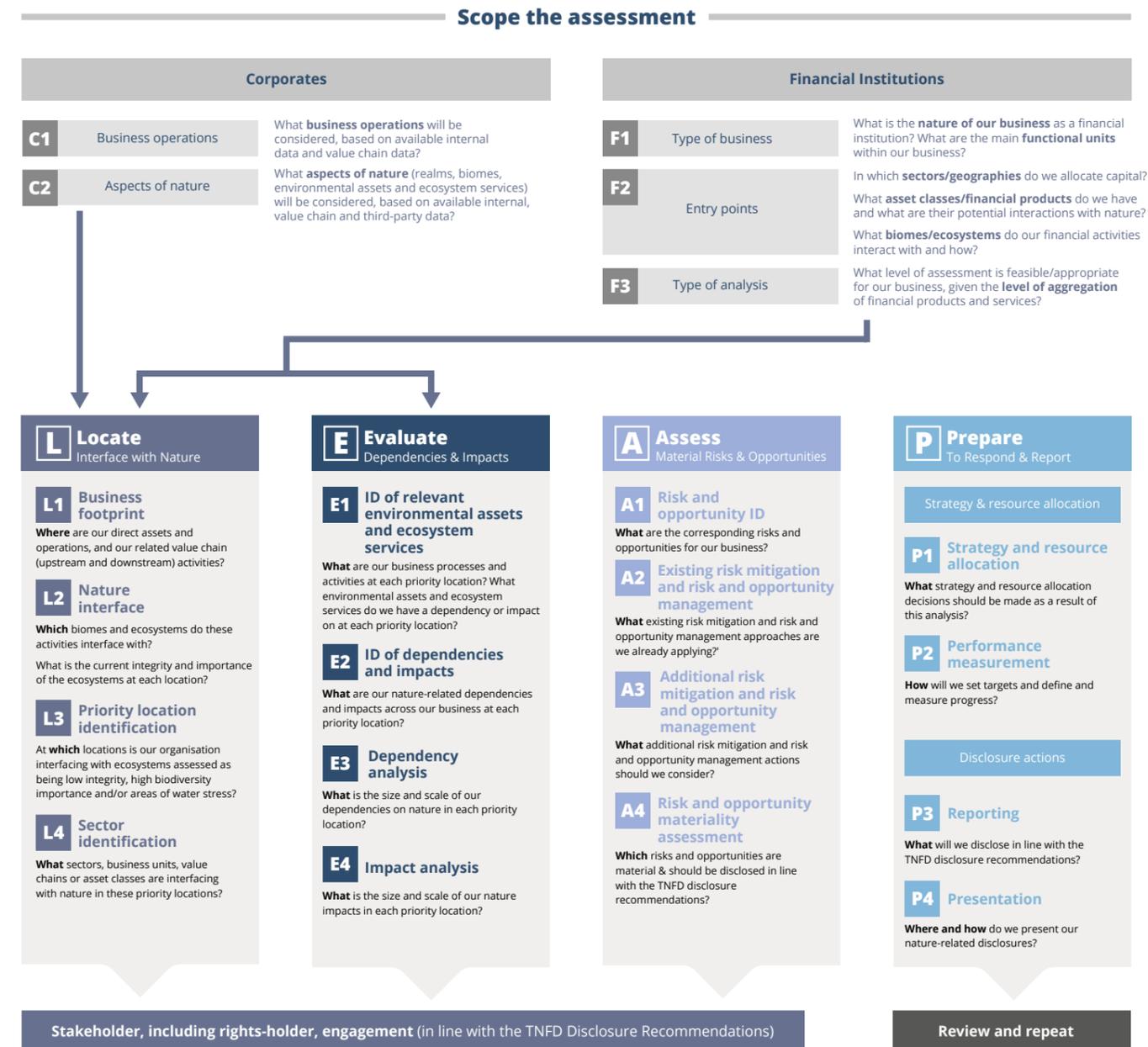
In v0.4 of the beta framework, the TNFD will produce further guidance on implementing these disclosure recommendations. This will include an 'Annex' on Disclosure Metrics for implementation of Metrics Targets B relating to impacts and dependencies on nature. The Taskforce proposes to centre this metrics annex on impact driver metrics, organised by the TNFD's five drivers of nature change, adapted from IPBES, and the TNFD's four realms of nature (ocean, freshwater, land and atmosphere).

### 3.3. Nature-related risk and opportunity assessment – the LEAP approach

Stakeholder engagement is a critical, cross-cutting element of the LEAP approach for nature-related risk and opportunity assessment in the TNFD framework. The TNFD LEAP approach recommends organisations to engage with stakeholders, including rights-holders, throughout all phases of the assessment of nature-related dependencies, impacts, risks and opportunities.

In v0.3 of the beta framework, the Taskforce has updated the language in this cross-cutting stakeholder engagement element, to reflect the engagement approach and requirements that may be required with rights-holders, as distinct from other types of stakeholders. Specifically, the language for this element of LEAP has been updated to 'stakeholder, including rights-holder engagement'.

Figure 4: Updates to the LEAP approach in v0.3 of the beta framework that relate to societal dimensions



## 4. Next steps and questions for further feedback

Building on the feedback received so far, and further dialogue and feedback stimulated by this discussion paper, in its next phase of work to prepare the final beta version of the TNFD framework (v0.4), the TNFD will:

- Develop additional guidance on stakeholder, including rights-holder, engagement, to help users of the TNFD framework apply both recommended disclosure Risk and Impact Management E and the LEAP approach;
- Further reflect on how the four societal dimensions of nature-related dependencies, impacts, risks and opportunities identified in this paper should be integrated into the TNFD framework, including the disclosure recommendations, the LEAP approach and core concepts and definitions;
- Continue dialogue with representatives of Indigenous Peoples and Local Communities (IPLCs) and regular dialogue sessions with a global network of civil society organisations; and;
- Run a 60-day formal consultation and engagement process in March 2023, where organisations can submit responses to a full draft of the beta framework (v0.4). Comment letters received in this formal consultation will be published on the TNFD website, following the approach of international standards organisations. This is in response to feedback received by TNFD from civil society organisations for greater transparency on the feedback it is receiving through its open innovation process.

**The Taskforce welcomes further feedback in response to this discussion paper on the integration of societal dimensions of nature-related dependencies, impacts, risks and opportunities into the TNFD risk management and disclosure framework. In particular, the Taskforce welcomes feedback on the following questions to inform its further work to develop v0.4 of the framework:**

1. What best practice industry standards and principles should be included and sign-posted in TNFD guidance on stakeholder, including rights-holder, engagement, and how?
2. How might considerations of equity and just transition be incorporated in the TNFD stakeholder engagement guidance and the TNFD framework overall?
3. Are there other specific observations or suggestions you would offer about societal dimensions that should be considered for integration into the TNFD nature-related risk management and disclosure framework?

Feedback to the TNFD on these questions and more general feedback on this discussion paper can be provided on the TNFD framework online platform [here](#).

## Annex - Feedback received on the beta framework relating to societal dimensions

As part of the Taskforce’s open innovation process and in response to the first two beta versions of the TNFD Framework, v0.1 in March 2022 and v0.2 in June 2022, the Taskforce has received feedback from representatives of Indigenous Peoples and Local Communities (IPLCs) and a diversity of stakeholders, including corporates, financial institutions, civil society organisations. Much of this feedback relates to societal dimensions relevant to the design and development of the TNFD’s nature-related risk management and disclosure framework.

The Taskforce acknowledges and thanks those who have provided this feedback. It has shaped the thinking behind new elements and modifications of v0.3 of the beta framework and will continue to inform the Taskforce’s work.

The table below provides an overview of the feedback received on societal dimensions that the TNFD has already responded to in the beta framework. See below for more details on societal dimensions in v0.3 of the TNFD beta framework.

**Table: Feedback received on societal dimensions**

Feedback received	In response, v0.3 of the beta framework includes:
Incorporate disclosure requirements for ‘ <b>impacts on nature</b> ’.	<ul style="list-style-type: none"> <li>• ‘Metrics &amp; Targets B’ recommended disclosure relating to impacts on nature (TNFD’s equivalent to ‘emissions’ for climate-related disclosures under TCFD).</li> <li>• Adjustments to other draft disclosure recommendations across the framework to reference ‘nature-related dependencies and impacts’, building on the TCFD-aligned language of ‘risks and opportunities’.</li> <li>• Revised language for the third pillar of the TNFD disclosure recommendations to ‘Risk and Impact Management’ (changed from the initial TCFD language “Risk Management”).</li> </ul>

*See Section 3.2 for more detail.*

**Table: Continued overleaf**

Table: Continued

Feedback received	In response, v0.3 of the beta framework includes:
Encourage and enable <b>traceability of impacts</b> on nature through supply chains and financing chains.	<p>A <b>new recommended disclosure on traceability</b> under the 'Risk and Impact Management' pillar, which recommends that organisations 'describe the organisation's approach to locate the sources of inputs used to create value that may generate nature-related dependencies, impacts, risks and opportunities.' Traceability refers to having transparent, accurate and complete data for the organisation to understand critical sourcing locations along the value chain in order to trace and manage nature-related dependencies, impacts, risks and opportunities.</p> <p><i>See Section 3.2 for more detail.</i></p>
<b>Avoid net impact reporting</b> to ensure that negative and positive impacts on nature can be transparently assessed in disclosure statements;	<p>In its guidance on the Evaluate phase of LEAP (evaluating impact mitigation and positive impacts), the TNFD recognises that impacts on nature can be negative and/or positive. As part of evaluating their dependencies and impacts on nature, the TNFD proposes that organisations should evaluate their negative impacts, impact mitigation (reducing negative impacts on nature) and positive impacts. <b>These should be assessed, measured and, if relevant, disclosed separately – not on a net basis.</b></p> <p><i>See Section 3.3 for more detail.</i></p>
More explicitly acknowledge the <b>intrinsic value of nature</b> in its definitions.	<p>A definition of intrinsic value has been added to the glossary and core concepts for 'Understanding nature'.</p> <p><i>See Section 3.1 for more details on TNFD's core concepts and definitions relating to societal dimensions.</i></p>
Acknowledge the <b>stewardship role</b> played by IPLCs, the importance of their <b>traditional knowledge</b> and its value in identifying and developing nature-based solutions.	<p>TNFD recognises that IPLCs play a critical role in safeguarding nature and that IPLCs possess detailed and valuable knowledge on nature, biodiversity, ecosystem management and ecosystem trends.</p>

Table: Continued

Feedback received	In response, v0.3 of the beta framework includes:
Provide <b>guidance on 'stakeholder engagement'</b> in the TNFD's proposed LEAP process to ensure that companies understand what constitutes good and effective dialogue with stakeholders, including rights-holders and local communities, and are required to disclose the activities they have undertaken;	<p>The TNFD has decided to develop guidance on stakeholder, including rights-holder, engagement as part of v0.4 of the beta framework. The Taskforce welcomes further feedback as it prepares this guidance (see Section 4 for key questions the TNFD is asking for feedback on).</p> <p>Already in v0.3 of the framework, the stakeholder engagement component of the TNFD LEAP approach has been revised to specify 'stakeholder, including rights-holder, engagement.' (See section 3.3 for more details)</p>
Work with stakeholders, including rights-holders, and civil society organisations to <b>pilot test</b> and develop proposals against <b>real-world case studies</b>	<p>The TNFD is inviting organisations interested in pilot testing the framework to contact the TNFD Secretariat. More information on pilot testing can be found in the piloting guide</p> <p>In addition, the TNFD is exploring initiatives to encourage pilot testing in biodiversity hotspots, emerging markets and tests with IPLC-led enterprises.</p>
Provide greater Transparency on the Feedback the TNFD is receiving through its open innovation process on beta versions of the framework.	<p>The TNFD will run a 60-day formal engagement process in March 2023, where organisations can submit responses to a full draft of the beta framework (v0.4). Comment letters received in this formal process will be published on the TNFD website, following the approach of international standards organisations.</p>
<p>In its next phase of work, the Taskforce will reflect further on feedback received that suggests the TNFD risk management and disclosure framework should:</p> <ul style="list-style-type: none"> <li>• Incorporate the principle of <b>free, prior and informed consent</b> (FPIC) before resources are used and development projects proceed; and</li> <li>• Recognise existing frameworks on <b>human and environmental rights</b> as enshrined in international law, including: <ul style="list-style-type: none"> <li>• the <b>UN Declaration on Human Rights</b>;</li> <li>• the new <b>UN General Assembly resolution</b> on the right to have access to a clean, healthy and sustainable environment, passed in July 2022; and</li> <li>• the <b>UN Guiding Principles on Business and Human Rights</b> (the Ruggie Principles) now incorporated into the <b>OECD Guidelines on Multinational Enterprises</b>.</li> </ul> </li> </ul>	

The TNFD has received the following further feedback on integration of societal dimensions in the framework development:

- Outline the TNFD's approach to offsetting and future biodiversity credits;
- Include cumulative impact reporting, not just year-on-year change reporting, in relation to impacts on nature;
- Recommend disclosure of the total, cumulative area of land/ocean/freshwater owned, managed or used by businesses as a measure of their ecological footprint;
- Recommend disclosure of land banks held for potential future commercial use;
- Incorporate cut-off dates to help tackle nature loss such as deforestation by ensuring that companies do not purchase products or supply chain inputs from newly deforested areas; and
- Recommend disclosure of the name of the ultimate parent company or beneficiary and financiers of projects to ensure local communities can identify the beneficial owners of local projects;
- Incorporate the notion of 'land tenure risk' as a risk faced by business and finance in circumstances where land rights may be contested or unclear;
- Recommend disclosure of business impacts on IPLCs and the name of specific local communities impacted;
- Require a company statement of zero tolerance for threats of violence or forced evictions against land and environmental defenders;
- Recommend disclosure of litigation and grievances related to environmental harm and/or human rights abuses against local communities;
- Recommend disclosure of corporate lobbying activities inconsistent with public climate and nature pledges and exemptions sought from the application of national environmental laws and regulations.
- Broaden the scope of the application of the TNFD framework and approach to ensure that it covers most types of financing (for example, sovereign debt, private equity, revolving credit facilities, etc); and
- Ensure independent, third-party verification of TNFD disclosures.



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