

**TNFD Discussion paper and draft guidance on nature transition plans: FCA response**

The FCA acknowledges the publication of the Discussion Paper on Nature Transition Plans by the Taskforce on Nature-related Financial Disclosures (TNFD) and welcomes the opportunity to contribute views in response to its request for feedback.

We recognise that the sustainable finance landscape is becoming increasingly complicated for market participants to navigate and given the vital role of the financial sector in helping the economy to adapt to a more sustainable future, it is important that the market for sustainable finance works well and that market integrity is maintained.

The Financial Services and Markets Act (FSMA) 2023 introduced a new regulatory principle for the FCA requiring us to consider the contribution we can make to the Government's net zero target as well as the Government's environmental targets, which include specific targets in relation to biodiversity, for example.

We recognise the strong interdependencies between sustainability issues, which is why nature, like climate, is embedded in how we approach sustainable finance at the FCA.

As we transition to a low emissions economy, we know that financial markets increasingly want better information on how companies plan to adapt their business models, operations and products and services, which transition plans provide. We intend to consult on strengthening expectations for listed companies' transition plans disclosures, with reference to the Transition Plan Taskforce (TPT) Disclosure Framework.

The FCA has been actively involved in the discussion around nature in transition plans as a member of the TPT, including through its Nature Working Group, as well as through the TPT Steering Group, where several stakeholders such as WWF were also represented.

We agree with the proposed main goal of the Discussion Paper to gradually move towards integrated transition planning frameworks that encompass climate and nature as well as social considerations within the context of the just transition.

The Kunming-Montreal Global Biodiversity Framework (GBF), like the Paris Agreement, advocates for a transition towards a more sustainable economy enabled by the active engagement of corporations and financial institutions. While the Paris Agreement aims at achieving net zero, the GBF outlines a path to halt and reverse nature loss. However, both transitions are interdependent.

We recognise the strong connection between climate and nature issues. This has been reflected in a report by the Financial Stability Board (FSB) surveying members at the request of the 2024 Brazil presidency of the G20. See [Stocktake on Nature-related Risks: Supervisory and regulatory approaches and perspectives on financial risk](#).

The FSB's Stocktake showed different degrees of maturity among jurisdictions, however several leading central banks and supervisors have carried out analytical work and concluded that nature-related risks may present material financial risk. They recognised that more needs to be done to develop a more holistic approach that considers the interdependencies between climate and nature-related risks.

Similarly, the Network for Greening the Financial System (NGFS) has emphasised the importance of the climate-nature nexus in its [Conceptual Framework](#). The NGFS acknowledged the importance of considering climate and nature risks in an integrated manner. This holistic approach is reflected in the above mentioned new regulatory principle introduced by FSMA.

We recognise that the proposed integrated approach to transition planning and transition plan disclosure would require a considerable effort for companies that opt to develop a holistic plan. Nonetheless, the proposed guidance in this Discussion Paper can be a helpful tool to build much needed capacity and expertise.

Our feedback to the TNFD draft guidance on nature transition planning focusses on three areas:

**1. Leverage of existing materials**

We welcome the approach to build on the TPT Disclosure Framework as much as possible (replicating 16 of the 19 TPT recommended disclosures and bringing four new as required by the specificity of this topic) and to follow the five transition planning themes recommended by the Glasgow Financial Alliance for Net Zero (GFANZ).

Building on well-established frameworks developed by industry practitioners will be key to continue setting up a corporate reporting architecture that caters for the needs of market participants in a clear and efficient way.

**2. International alignment**

Leveraging existing frameworks will also contribute to avoiding potential fragmentation of corporate reporting and transition planning across jurisdictions. This is important given that the International Sustainability Standards Board (ISSB) has taken responsibility for the TPT’s disclosure-specific materials, and that the ISSB has added a new project on nature-related disclosure to its 2024-2026 work plan, following its agenda priorities consultation. We welcome and encourage the dialogue between the TNFD and the ISSB.

In [our response](#) to that consultation, we called on the ISSB to move swiftly to start work towards developing a thematic standard on nature in the short term, leveraging the TNFD framework. We also encouraged the ISSB to consider developing additional guidance in transition planning drawing on the TPT final outputs (which at the time of the consultation were yet to be published).

As both nature-related disclosure and transition planning evolve, it is critical to do so in a way which ensures international alignment, in the interest of providing consistent and decision-useful information to investors. We would encourage the TNFD Secretariat to engage with international regulators, through fora such as IOSCO’s Sustainable Finance Task Force, to foster a coherent approach among jurisdictions.

**3. Capacity building**

We also recognise that nature-related disclosure and transition planning are relatively new to preparers and users of general purpose financial reports. This draft guidance and request for feedback will help to build capacity in that regard.

First, we welcome that the draft guidance complements and provides granularity to the TNFD framework. Under the Strategy pillar, the TNFD framework already recommended disclosure of any transition plans in place, and if so, a description of how the plan aligns to the GBF mission, goals and targets.

As the draft guidance acknowledges, we agree that the lack of consensus on how to evaluate such an alignment with “the transition implied by the GBF” remains a challenge. Similarly, we agree that translating GBF objectives into the individual context of reporting organisations is not an easy task. However, we hope that the feedback gathered from this consultation and the future development of National Biodiversity Strategies and Action Plans (NBSAPs) that cover corporate and financial-related GBF targets will help to provide more clarity and overcome these challenges.

Secondly, we support the flexible and proportionate approach set out in the draft guidance, recognising that nature transition plans would not need to “immediately cover all relevant locations and all dependencies, impacts, risks and opportunities” of a reporting entity. We welcome the proposed approach to gradually build capacity on transition planning as the underlying knowledge of nature-related issues develops.

**Additional comments**

In addition, the draft guidance notes that “sector transition pathways may be a useful reference for individual organisations, as and when these emerge”. For reference, we understand that the ongoing ISSB project to enhance its industry-based standards (reviewing the SASB Standards according to the IFRS Foundation’s due process) is expected to improve understanding on how to identify nature risks and opportunities and to report on related material information drawing on metrics that are relevant on a sectoral basis.

We acknowledge the increasing use of ESG ratings providers for the assessment of transition plans and would recommend the TNFD Secretariat to work with these providers and with the Net-Zero Data Public Utility to ensure that material nature-related information is incorporated in the allocation of capital and data decisions. Without such collaboration, there is a risk that nature-related issues are overlooked in the context of transition plan ratings.

We would also recommend the TNFD Secretariat to ensure that nature-related transition plan disclosure can be subject to assurance, as international bodies work to develop a global assurance framework for sustainability reporting (i.e., the new standards of the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants).

Finally, this draft guidance and request for feedback is a step in the right direction to build capacity in this area and to inform the future work of standard-setting bodies. We look forward to reading the feedback received from practitioners and other stakeholders with direct exposure to the subject matter.