

UNDP BIOFIN – TNFD Training

The TNFD Recommendations

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Climate Risk Services

UNDP

BIOFIN
The Biodiversity Finance Initiative

Meet the team

- Climate Risk Services' CEO **Gerhard** has a wealth of experience in the climate and nature field, previously working for consultancies, banks, governments, and the IUCN. He also holds an MBA from the University of Oxford.

- As a senior analyst at Climate Risk Services, **Ben** specialises in nature-related risk for financial institutions and corporates. Ben holds a Masters degree from Imperial College London in Environmental Technology (environmental economics and policy).



Gerhard Mulder

CEO

gerhard@climateriskservices.com



Ben Mitchell

Senior Analyst

ben@climateriskservices.com

In this video…

1. Introduction to the TNFD Recommendations
2. Recommended disclosures
3. The LEAP approach

Key Objectives

- Understand an overview of the LEAP approach, what its purpose is and how to undertake it.
- Understand which insights from the LEAP approach should be used in disclosures.

Introduction to the TNFD Recommendations

An introduction to the TNFD Recommendations

How do the TNFD recommendations provide a framework for executive-level action

There are 4 pillars to the TNFD recommendations: **Governance, Strategy, Risk Management, Metrics & Targets**

The recommendations are designed to allow you to integrate nature into financial and business decisions, they can help you understand:

- How your client's nature impacts/dependencies can drive material financial risks
- Where nature positive opportunities can be leveraged for your financial institution

This information can inform your **internal risk management** and **ESG teams**, allow you to make **informed strategic decisions and planning** around the nature topic, and helps your financial institution prepare for regulatory and investor disclosure expectations.

Recommended disclosures

Recommended disclosures

Which LEAP outputs should be disclosed – 14 recommended disclosures + 6 general requirements

TNFD recommended disclosures

Governance	Strategy	Risk and impact management	Metrics and targets
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

Source: TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures

The TNFD general requirements

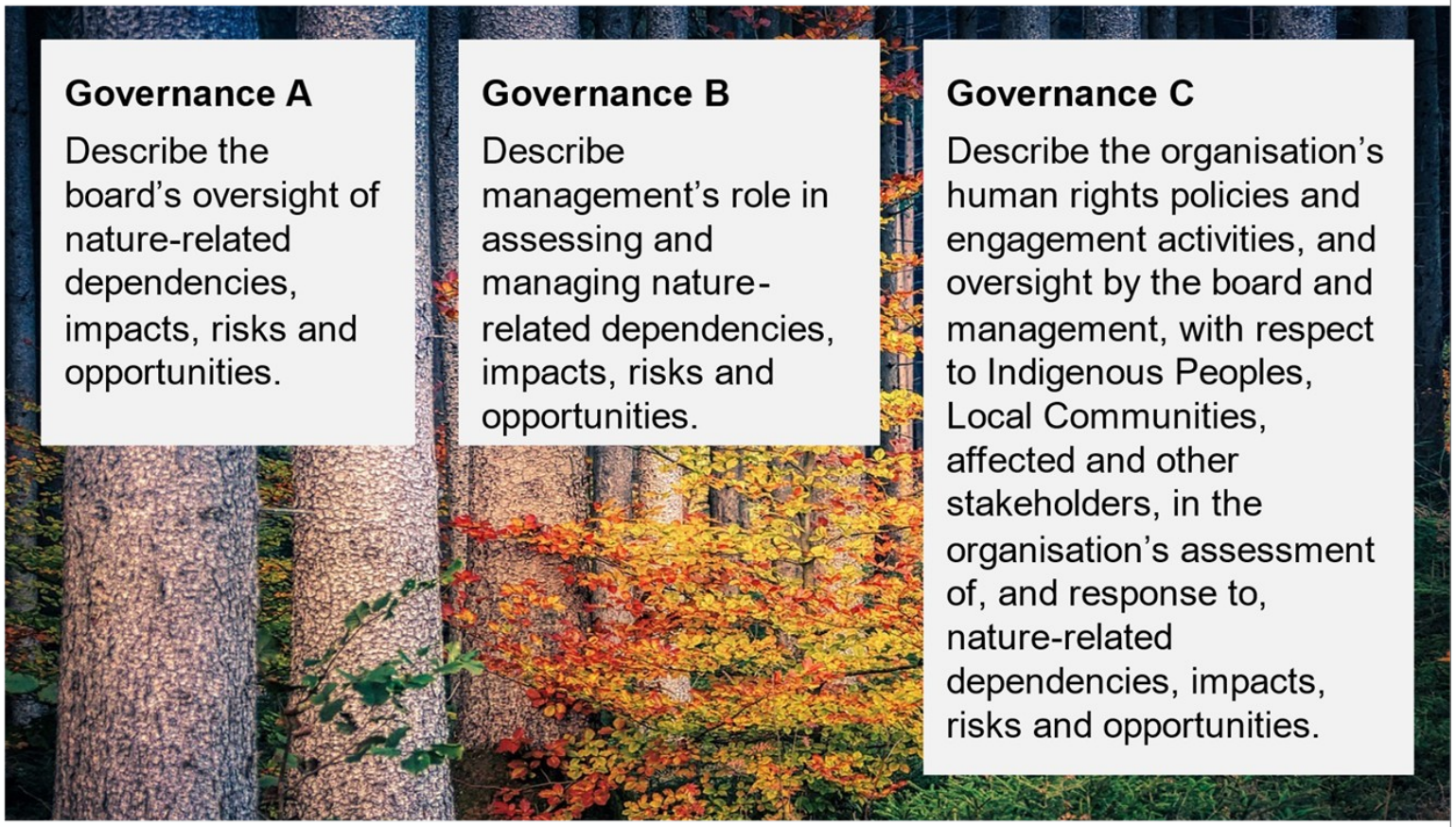
There are six general requirements in addition to the 14 recommended disclosures



Governance Disclosures

The three recommended disclosures under the governance pillar

Investors, lenders, insurance underwriters and other users of nature-related financial disclosures are interested in understanding the governance processes, controls and procedures that organisations use to monitor and manage nature-related issues. They are specifically interested in understanding the role an organisation's board plays in overseeing nature-related issues, as well as management's role in assessing and managing those issues.



Source: TNFD (2023) Recommendations of the Taskforce on Nature -related Financial Disclosures

Strategy disclosures

The four recommended disclosures under the strategy pillar

Investors and other stakeholders are interested in understanding the approach the organisation uses to manage nature-related issues and how nature-related issues may affect an organisation's business model, strategy and financial planning over the short, medium and long term. Such information is used to inform expectations about the future performance of an organisation.



Source: TNFD (2023) Recommendations of the Taskforce on Nature -related Financial Disclosures

Risk and impact management disclosures

The four recommended disclosures under the risk and impact management pillar

Investors and other stakeholders are interested in understanding how an organisation's nature-related dependencies, impacts, risks and opportunities are identified, assessed, prioritised and monitored, and whether those processes are integrated into existing risk management processes.

Such information helps users of nature-related financial disclosures to evaluate the organisation's overall risk processes and risk and impact management activities.



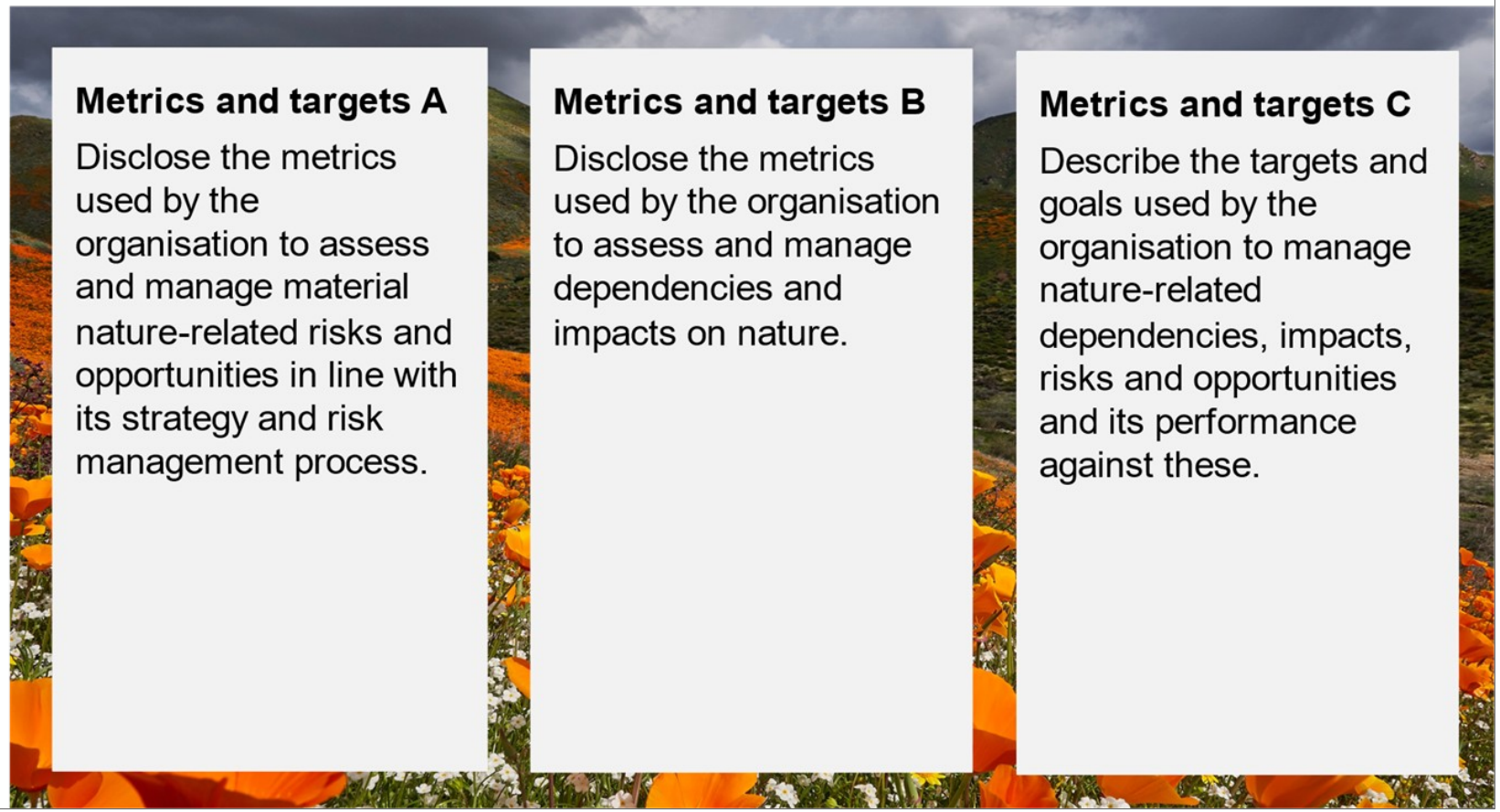
Source: TNFD (2023) Recommendations of the Taskforce on Nature-related Financial Disclosures

Metrics and targets recommended disclosures

The three recommended disclosures under the metrics and targets pillar

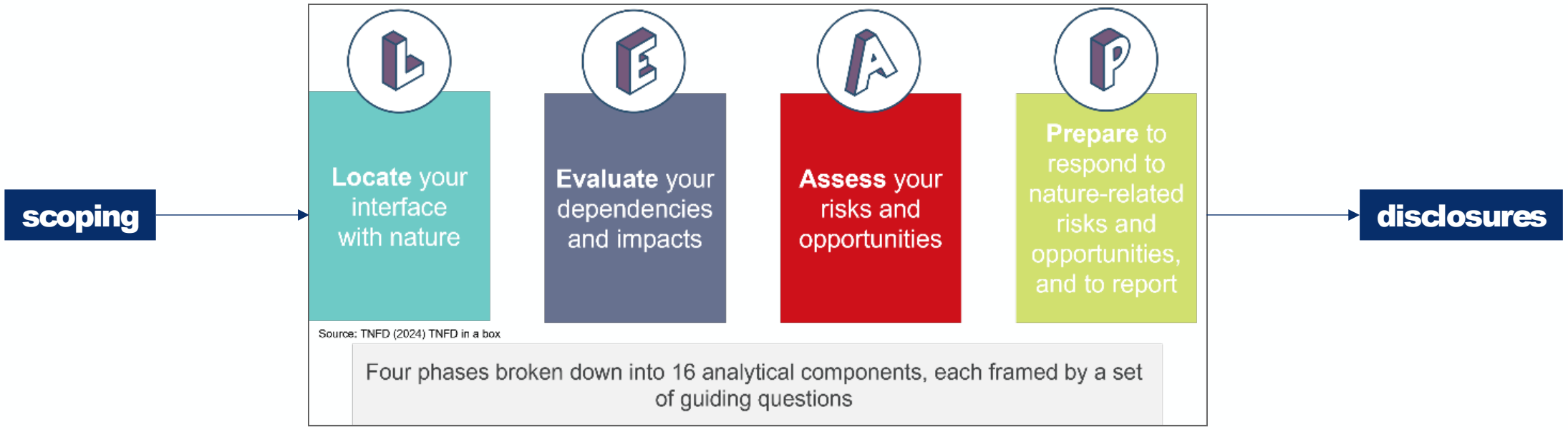
Investors and other stakeholders are interested in understanding an organisation's performance in relation to nature-related issues, including progress towards any targets the organisation has set and how an organisation measures and monitors its nature-related dependencies, impacts, risks and opportunities.

Source: TNFD (2023) Recommendations of the Taskforce on Nature -related Financial Disclosures



The LEAP approach

LEAP overview



Scoping

Defining the parameters of the assessment without investing too much time or resources

The key first step before undertaking the LEAP process is to scope the effort of work – for a corporation this may look like deciding which supply-chains to focus on, and which are out of scope. A financial institution may decide to assess risks across its entire portfolio or just loans in a specific sector or location.

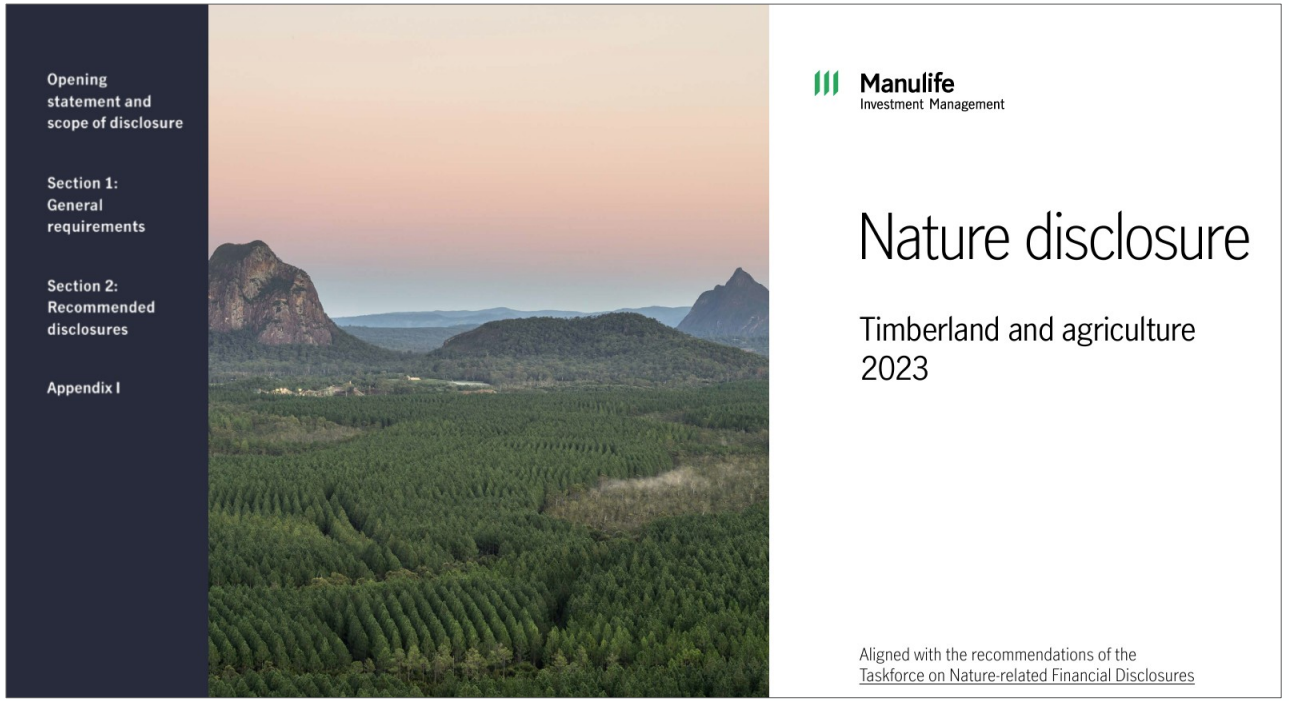
Aims of scoping:

- Align senior management and practitioner team and allocate resources.
- Identify potential capacity gaps and needs.
- Produce a terms of reference document including timeline, allocated staff, sources of data, and budget.

Scoping Case Study - Manulife Investment Management

An example of LEAP scoping from an asset manager

- Manulife Investment Management has approximately $1.03 CAD trillion dollars under management.
- It has a very wide range of investments over multiple asset classes across many sectors including technology, real estate, healthcare etc.
- To make their initial TNFD LEAP process and disclosures feasible they restricted scope to the 2 sectors with likely the most impacts and dependencies: **timber production** and **agriculture**.
- Scoping to the most relevant sectors make the LEAP approach much more feasible and efficient.



Locate

Step 1 of the LEAP approach

(L1) Where are the business operations?

(L2) Are they likely high impact/dependency?

(L3) If yes, then which ecosystems are they in?

(L4) Are any of those ecosystems super vulnerable/at risk?



Evaluate

Step 2 of the LEAP approach

(E1) What are the environmental assets, ecosystem services and impact drivers in play?

(E2) what are our dependencies and impacts?

(E3) Measurements of dependencies and impacts

(E4) Which of the impacts are material?
align these measurements with GRI or ESRS standards (not essential for LEAP process)



Assess

Step 3 of the LEAP approach

(A1) What are the corresponding risks and opportunities to our organisation?

(A2) Adjust existing risk mitigation and management

(A3) Which risks and opportunities should be prioritised?

(A4) Risk and Opportunity materiality assessment – which should be disclosed?



Prepare

Step 4 of the LEAP approach

(A1) What are the corresponding risks and opportunities to our organisation?

(A2) Adjust existing risk mitigation and management

(A3) Which risks and opportunities should be prioritised?

(A4) Risk and Opportunity materiality assessment – which should be disclosed?



LEAP

LEAP summarised in 4 sentences

Locate your business activities/loans/supply-chains near nature sensitive areas.



Evaluate the **impacts** and **dependencies** of your business activities/loans/supply-chains on nature.



Assess these impacts and dependencies as **risks** and **opportunities** for your organisation.

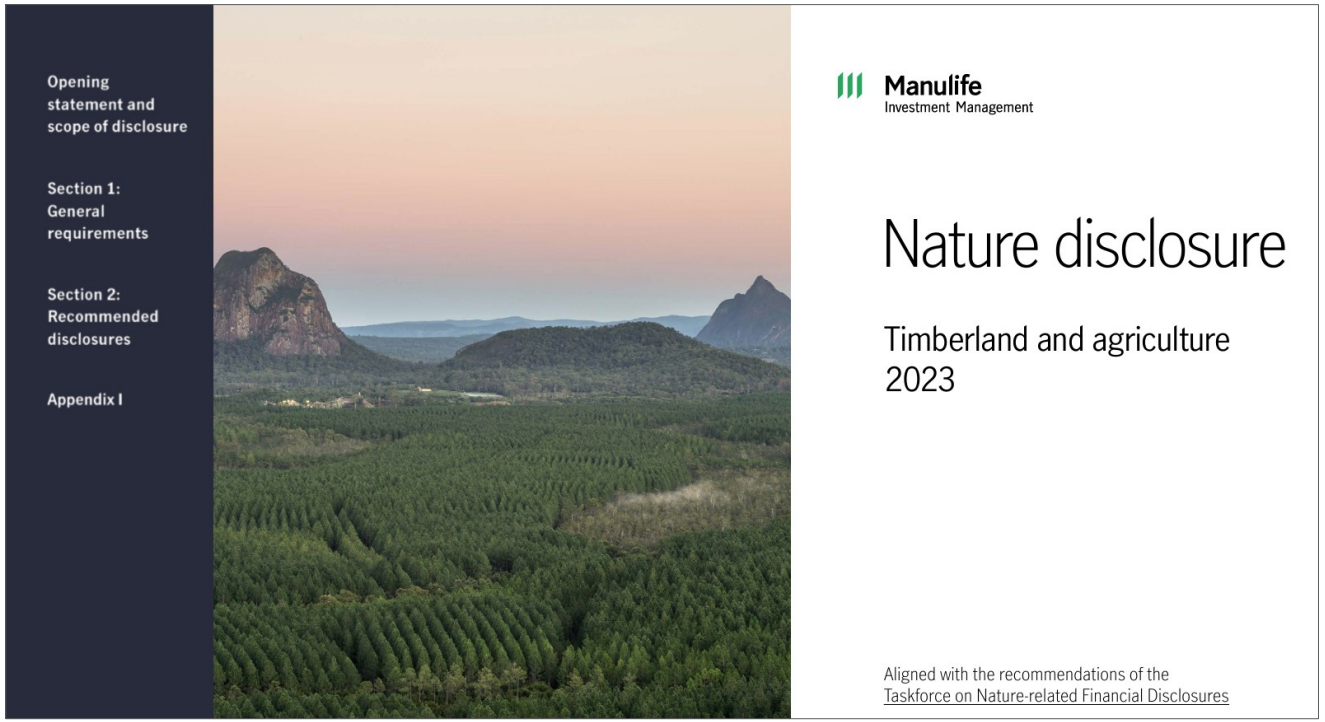


Prepare your strategy for these risks and opportunities and how you are going to disclose it.

Case study

Disclosures Case Study – Manulife Investment Management

An example of TNFD aligned disclosures from an asset manager



- An early uptaker of the TNFD, joining the initial TNFD informal working group through to releasing TNFD-aligned disclosures.
- TNFD disclosures were scoped specifically to timber and agricultural investments.
- Including investments and properties in Canada, the USA, Australia, New Zealand, Chile, and Brazil.

Disclosures Case Study – Manulife Investment Management

An example of TNFD aligned disclosures from an asset manager – Governance

Governance A

Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.

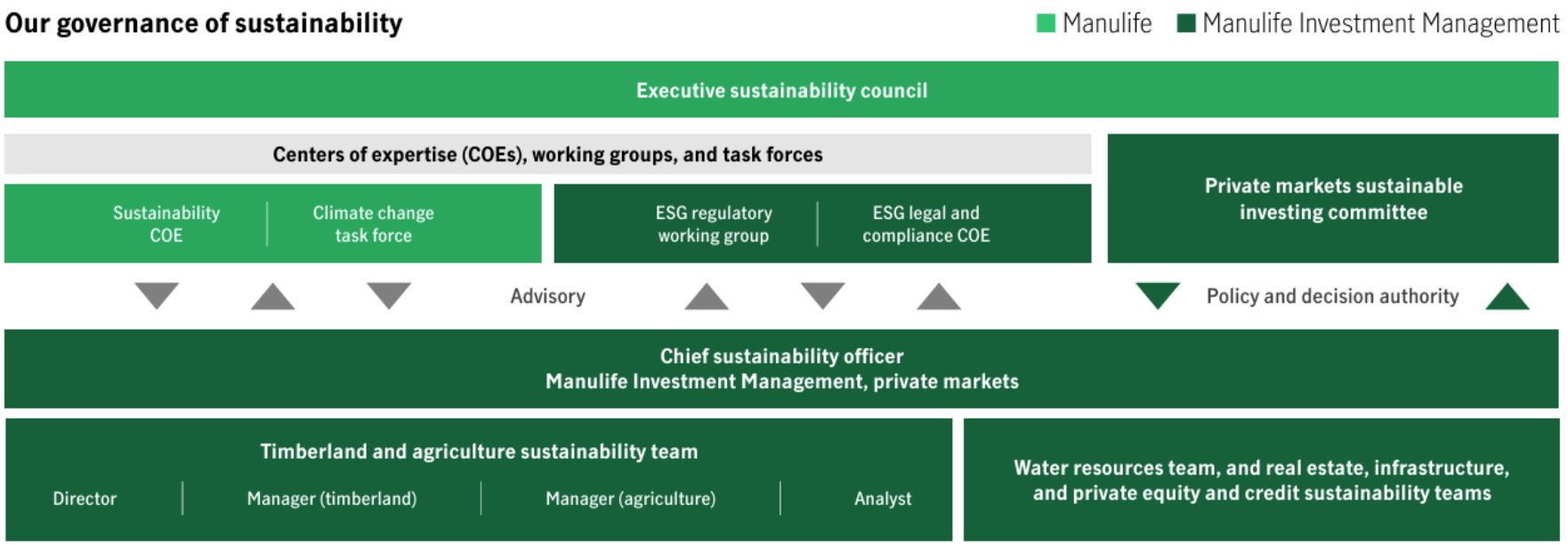
Governance B

Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.

Governance disclosures A and B

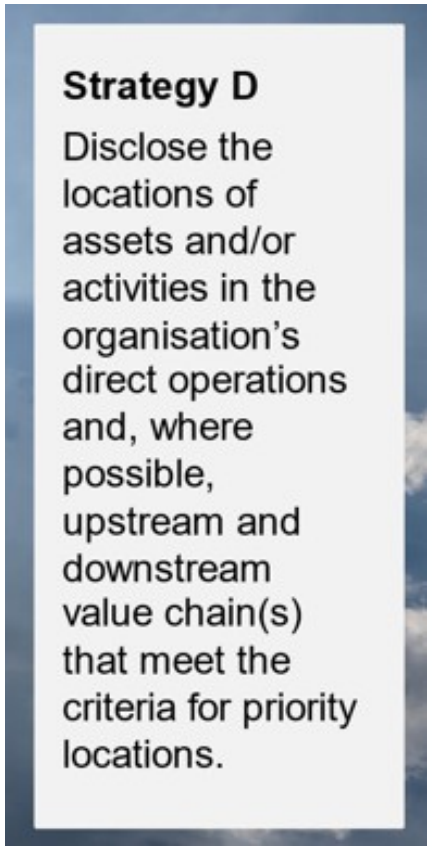
The structure of sustainability governance for our timberland and agriculture businesses shows how it fits under the broader umbrellas of Manulife Investment Management and Manulife Financial Corporation sustainability governance. An explanation detailing our sustainability governance structure can be found on pages 6 and 7 of our timberland and agriculture 2022 sustainable investing reports. This structure and the governance responsibilities of management are the same for all relevant sustainability issues, including nature, climate, and people.

Our governance of sustainability



Disclosures Case Study – Manulife Investment Management

An example of TNFD aligned disclosures from an asset manager – Strategy



Strategy disclosure D

As part of timberland certification processes, we've identified, mapped, and protected areas of high conservation value (FSC) and forest with exceptional conservation value (SFI). In agriculture, the Leading Harvest standard requires conservation of biodiversity and protection of geologically or culturally special sites.

Regardless of certification, we identify and look after these areas as part of our sound management practices. We're actively considering the best way to approach the disclosure of these locations. As mentioned in section 1, our operational scale means significant work is needed to centralize this information for global reporting purposes.

An incomplete disclosure – an example of the TNFD recommendation to begin with what's possible and improve over time.

Disclosures Case Study – Manulife Investment Management

An example of TNFD aligned disclosures from an asset manager – Risk and impact management & metrics and targets



Risk and impact management disclosure A and B

We identify, assess, and prioritize nature-related dependencies, outcomes, risks, and opportunities in our direct operations by:

- Evaluating new investment opportunities with our sustainability tool kit
- Applying our deforestation policy, carbon principles, and carbon tool kit
- Committing to sustainable operating principles—verified by third-party certification

We've focused the scope of our initial TNFD disclosure on assets where we have the most influence—those we directly operate—and plan to consider our upstream and downstream value chains in time.

Risk and impact management disclosure C

Our integrated asset management model means that not only are we working in and with nature, we're also continuously observing it, learning from it, and responding to changes that affect us. We strive for continuous improvement in everything we do, and our risk management processes are part of this.

Our processes disclosed in A and B are integrated into and inform the organization's overall risk management processes as described in section 1—the application of materiality. We refine these processes in review cycles but also proactively if we notice changing trends or issues that need to be addressed.

Disclosures Case Study – Manulife Investment Management

An example of TNFD aligned disclosures from an asset manager – Metrics and targets

Metrics and targets

In our reporting, we've taken a quantitative and qualitative approach to nature metrics and targets; this is to give context and examples while metrics evolve and data quality strengther Our sustainable investing reports show the progress we've already made and, as disclosed ir previous sections, we're working on developing natural capital accounts for the forests and farms we manage that will provide further insight into our contributions to nature.

For this section of the disclosure, we've taken the same quantitative and qualitative approa in a tiered format:

1 We've provided numerical answers wherever possible.
2 Where we don't have numbers, but we have qualitative commentary, we've shared it.
3 Where the metric is probably material but data isn't yet available, we've noted that.
4 Where the metric isn't applicable to our business, we've also noted that.

We've included the categories of TNFD metrics that we consider relevant to our timberland and agriculture business. These are:

- Core global disclosure metrics
- Forestry core sector disclosure indicators and metrics
- Proposed additional forestry sector disclosure indicators and metrics
- Food core sector disclosure indicators and metrics
- Proposed additional food sector disclosure indicators and metrics

Because of the volume of data, we've shared these metrics as tables and included them as appendix I.

Core global disclosure metrics

Metric no.	Core global indicator	Response—agriculture	Response—timberland
	GHG emissions[12]	• Scope 1: 33,131 tCO_2e • Scope 2: 18,935 tCO_2e • Scope 3: 193,092 tCO_2e	• Scope 1: 49,233 tCO_2e • Scope 2: 0 tCO_2e • Scope 3: 482,445 tCO_2e
C1.0	Total spatial footprint	• Total surface area managed: 622mi^2 (1,610km^2) • Total disturbed area: no data available • Total rehabilitated/restored area: no data available	• Total surface area managed: 8,441mi^2 (21,861km^2) • Total disturbed area: no data available • Total rehabilitated/restored area: no data available

C1.1	Extent of land/freshwater/ ocean-use change	• Land/freshwater/ocean-use change (farmland, agriculture): Our policy on deforestation prohibits the clearing and conversion of forests with high conservation or cultural value. Read our full policy at manulifeim.com.
		• Land/freshwater/ocean conserved or restored: no data available
		• Land/freshwater/ocean sustainably managed:
		  • sustainably managed land: 444mi^2 (1,151km^2)
		  • sustainably managed waterways: 754mi (1,213km)
			• Land/freshwater/ocean-use change (forest, forest production): Our policy on deforestation prohibits the clearing and conversion of forests with high conservation or cultural value. Read our full policy at manulifeim.com.
			• Land/freshwater/ocean conserved or restored: 1,787mi^2 (4,628km^2) of conservation area that is voluntary or required by regulation
			• Land/freshwater/ocean sustainably managed:
			  • sustainably managed land: 8,441mi^2 (21,861km^2)
			  • sustainably managed waterways: 18,444mi (29,683km)

C2.0	Pollutants released to soil split by type	Crop protectants, fertilizers, and other agricultural chemicals are used responsibly and are useful tools in achieving crop health and productivity as well as environmental and financial objectives. We use integrated pest management (IPM) strategies and controls where possible and strive for minimum effective chemical use. Furthermore, we assess the risk of contamination caused by the off-target movement of agricultural chemicals transported by rain, runoff, or high winds. We conduct evaluations of vulnerable properties and formulate remedial actions such as grassed waterways and barrier hedges.	Herbicides, fertilizers, and other forest chemicals are used responsibly and are useful tools in achieving forest growth, as well as environmental and financial objectives. We strive for minimum effective chemical use. Forest chemicals are used only after evaluating other methods of achieving management objectives, such as IPM. Forest chemicals are applied using the best available technology to ensure the efficacy of the chemical without compromising personal safety or environmental health.
C2.1	Wastewater discharged	Not applicable	Not applicable
C2.2	Waste generation and disposal	Not applicable	Not applicable

Key take home messages

1

Leading practice at the nature–business interface is evolving rapidly as collaborative efforts lead to iterative learning and growing levels of market maturity.

2

Organisations all start from different points and should not let ‘perfection be the enemy of the good’ – it is important to start on the journey and iterate your approach over time as your organisation and the wider market continue to learn how best to integrate nature-related issues into financial and corporate practices.

3

Get started now and increase ambition over time, while taking advantage of the many use cases and supporting guidance and tools that are now widely available.

Climate Risk Services

Thank you!

Building a climate-smart, net zero and nature-positive future together.

www.climateriskservices.com