

UNDP BIOFIN – TNFD Training

Introduction to the LEAP approach

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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 LEAP process
2. Scoping
3. Introducing the case studies

Key Objectives

- Understand the purpose of the LEAP approach and what it offers your organisation.
- Understand how to scope a LEAP approach.

An introduction to the LEAP process

An overview of the LEAP approach

Provides structured guidance on how to identify and assess nature-related issues

Locate your interface with nature

Evaluate your dependencies and impacts

Assess your risks and opportunities

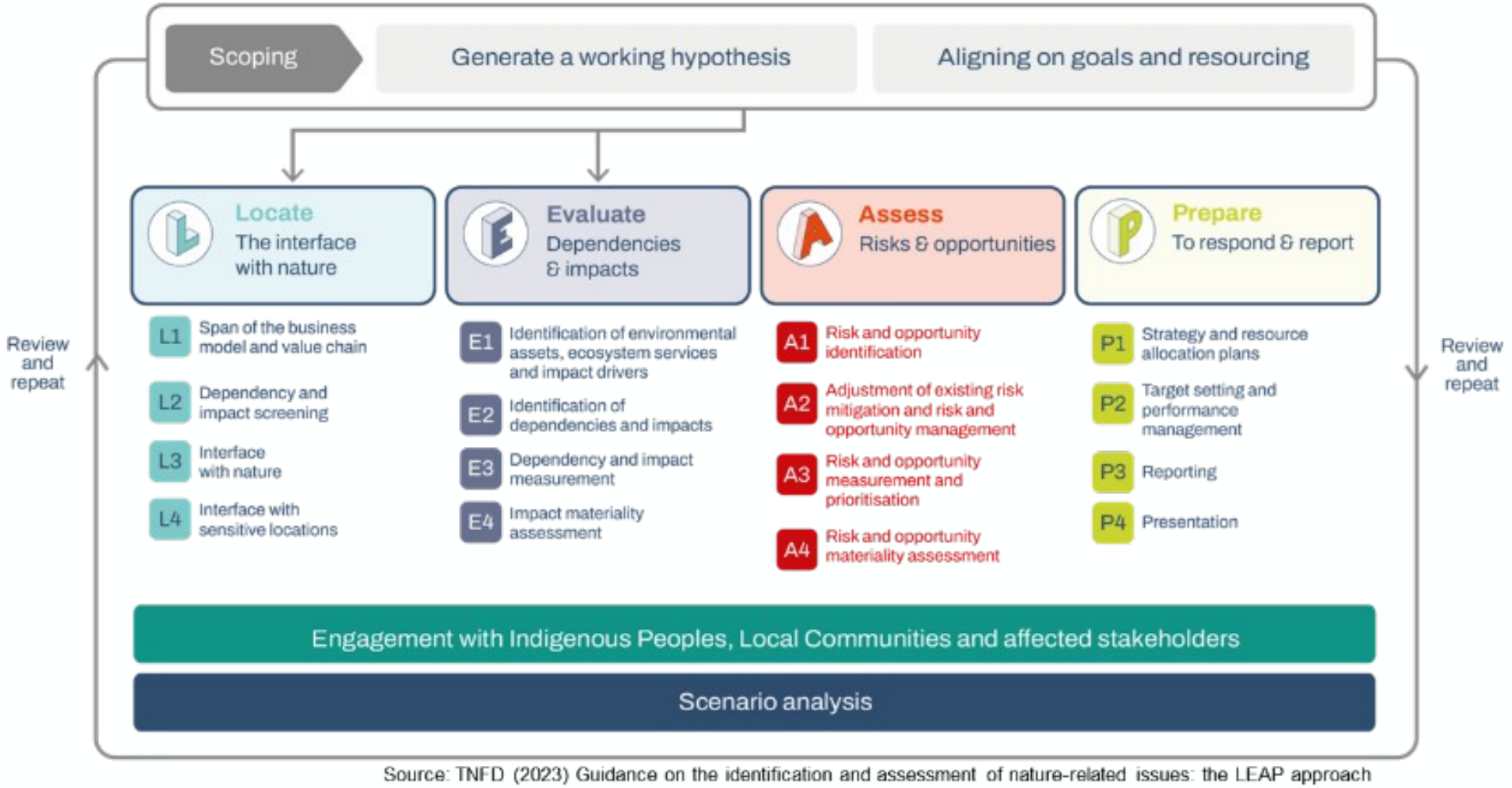
Prepare to respond to, and report on, material nature-related issues



These four phases are broken down into 16 analytical components, each framed by a set of guiding questions

An overview of the LEAP approach

Provides structured guidance on how to identify and assess nature-related issues



Source: TNFD (2023) Guidance on the identification and assessment of nature-related issues: the LEAP approach

LEAP – the TNFD's integrated assessment approach

The LEAP approach is built on existing frameworks, methods and tools

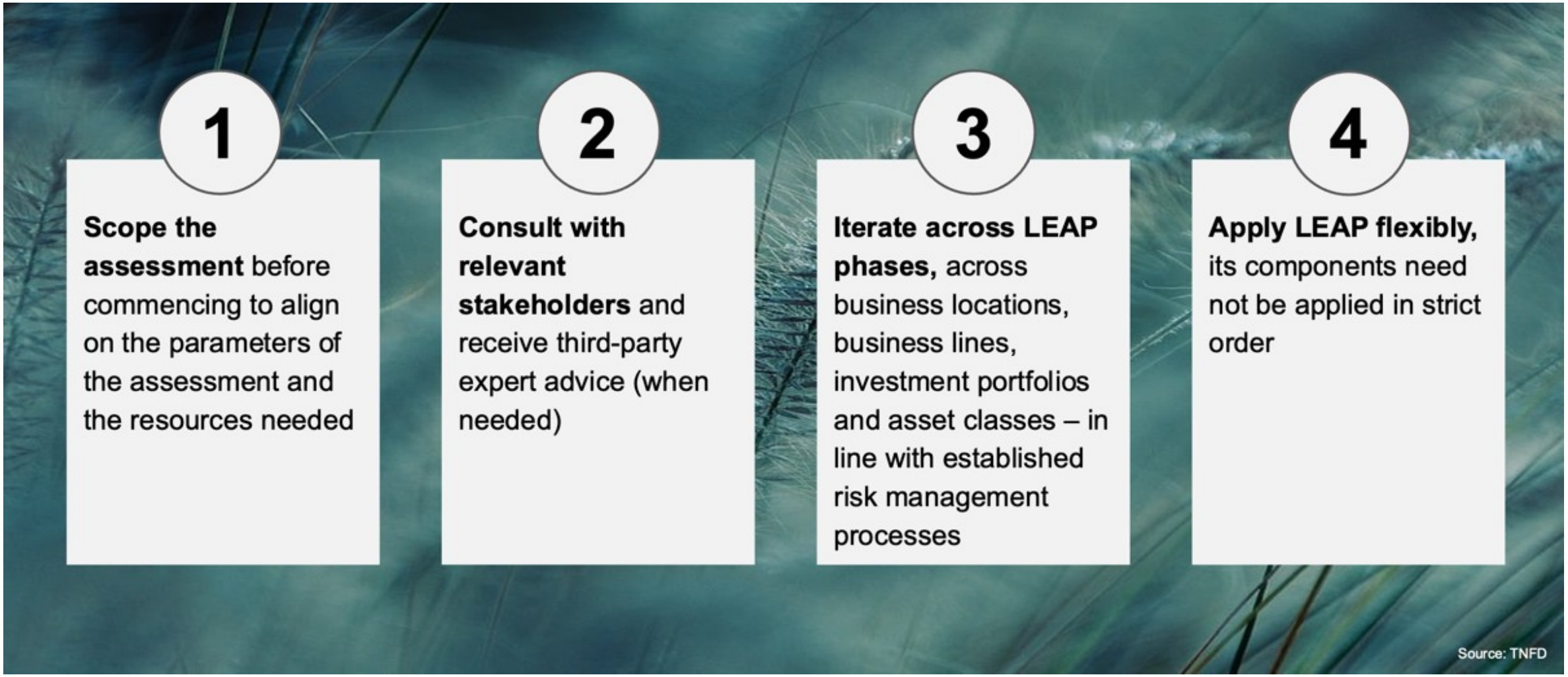
The LEAP approach provides the market with a consistent approach to bringing nature into enterprise and portfolio risk management processes.

It is an internal due diligence assessment process for identifying and assessing nature-related issues facing an organisation – **its dependencies and impacts on nature; and the risks and opportunities to the organisation.**



The LEAP approach: Overarching considerations

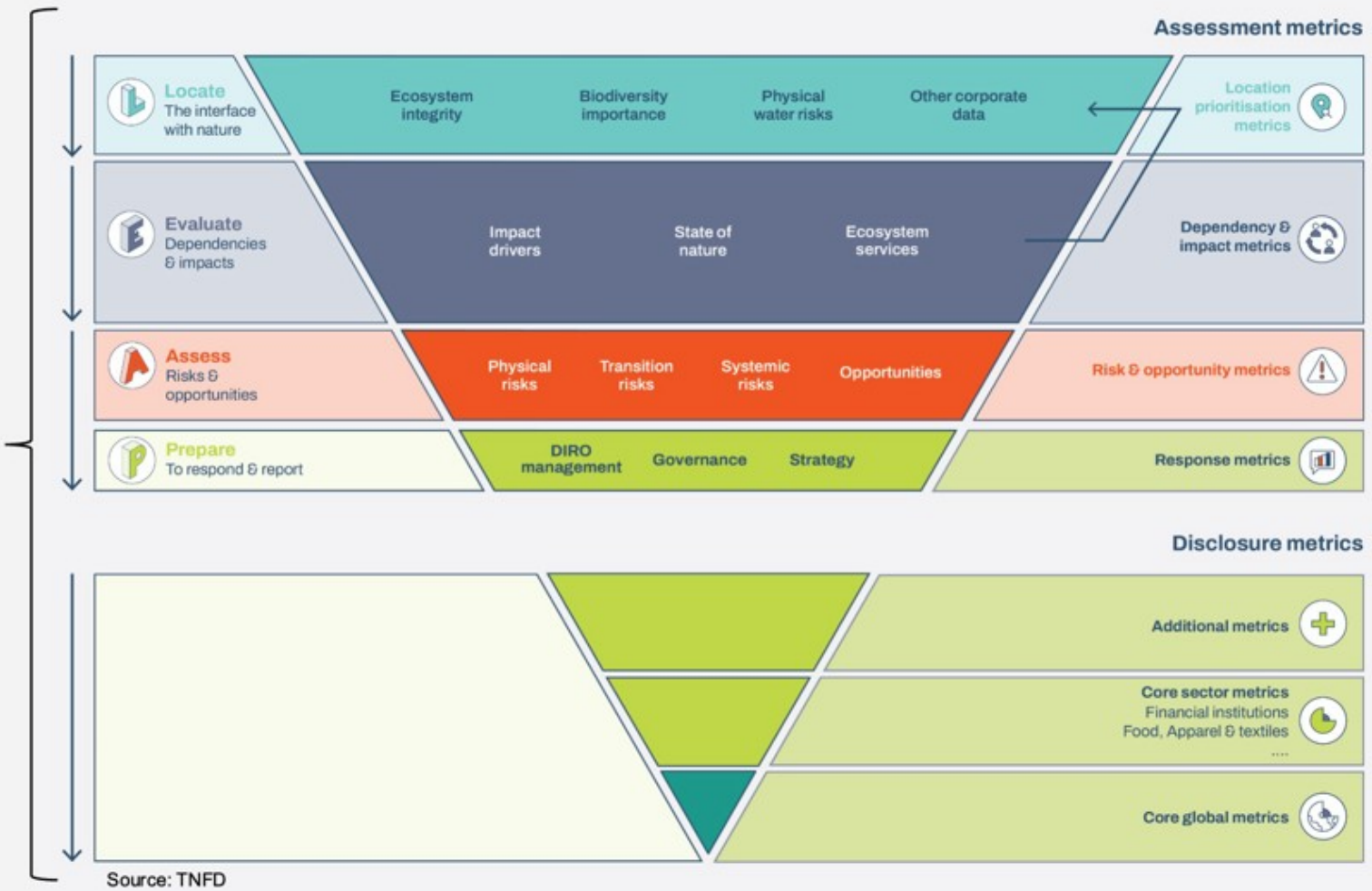
There are four overarching considerations that users of the LEAP approach need to consider



Assessment and disclosure metrics

The TNFD measurement architecture separates assessment and disclosure metrics

The TNFD has set out **global metrics** that apply to all sectors and specific **sector metrics** for key sectors



Internal assessment metrics help organisations strategically manage and respond to the changing landscape of nature-related dependencies, impacts, risks and opportunities

External disclosure metrics improve public transparency and can be based on a financial and/or impact materiality approach

Stakeholder engagement

A core principle of the LEAP process

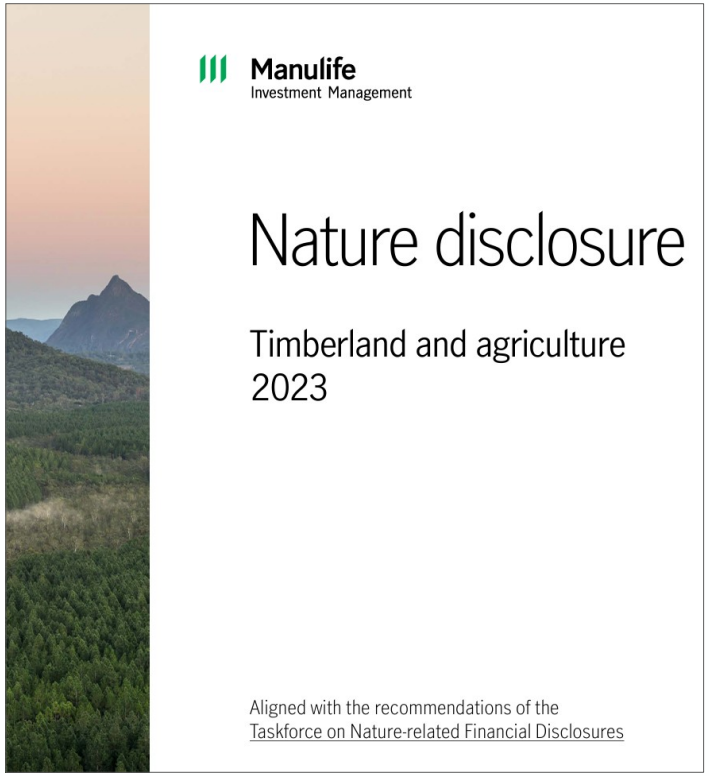
- Engagement with stakeholders should underpin the LEAP approach
- For corporates this looks like engaging with anyone affected within their value-chain e.g. local communities near direct business operations, workers in their supply-chain, their own workforce, consumers etc.

The guidance for financial institution stakeholder engagement is slightly different

Financial institutions should also describe how they have worked with investee companies, counterparties or clients with whom they have financial relationships through advisory, investing, lending or re/insurance to help ensure they undertake outreach and engage relevant Indigenous Peoples, Local Communities and affected stakeholders in their assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.

Case study – Manulife Investment Management

How has an asset manager engaged with stakeholders?



Stakeholder engagement

As managers of real assets, we have a multilayered approach to stakeholder engagement; we engage at the local level, at an investment level, and at an industry level.

Local engagement

On the ground at forest and farm level, we regularly engage with our neighbors, local communities, indigenous peoples, and other stakeholders. This engagement is both formal and informal, and our teams are organically part of the communities in which we operate.

Certification requires us to have processes in place to provide for and record engagement with local stakeholders. FSC, SFI, and Leading Harvest all contain provisions that ensure the rights of local communities and indigenous peoples are upheld and respected where our operations intersect with their interests.[6] We seek opportunities beyond certification requirements and to partner with communities and indigenous peoples where we can. Some case study examples of this work have been published in our previous sustainable investing reports and in stories from the field.

Investor engagement

We work with investors to promote awareness and increase their understanding of the climate and nature benefits of sustainably managed timberland and agriculture investments. We do this by:

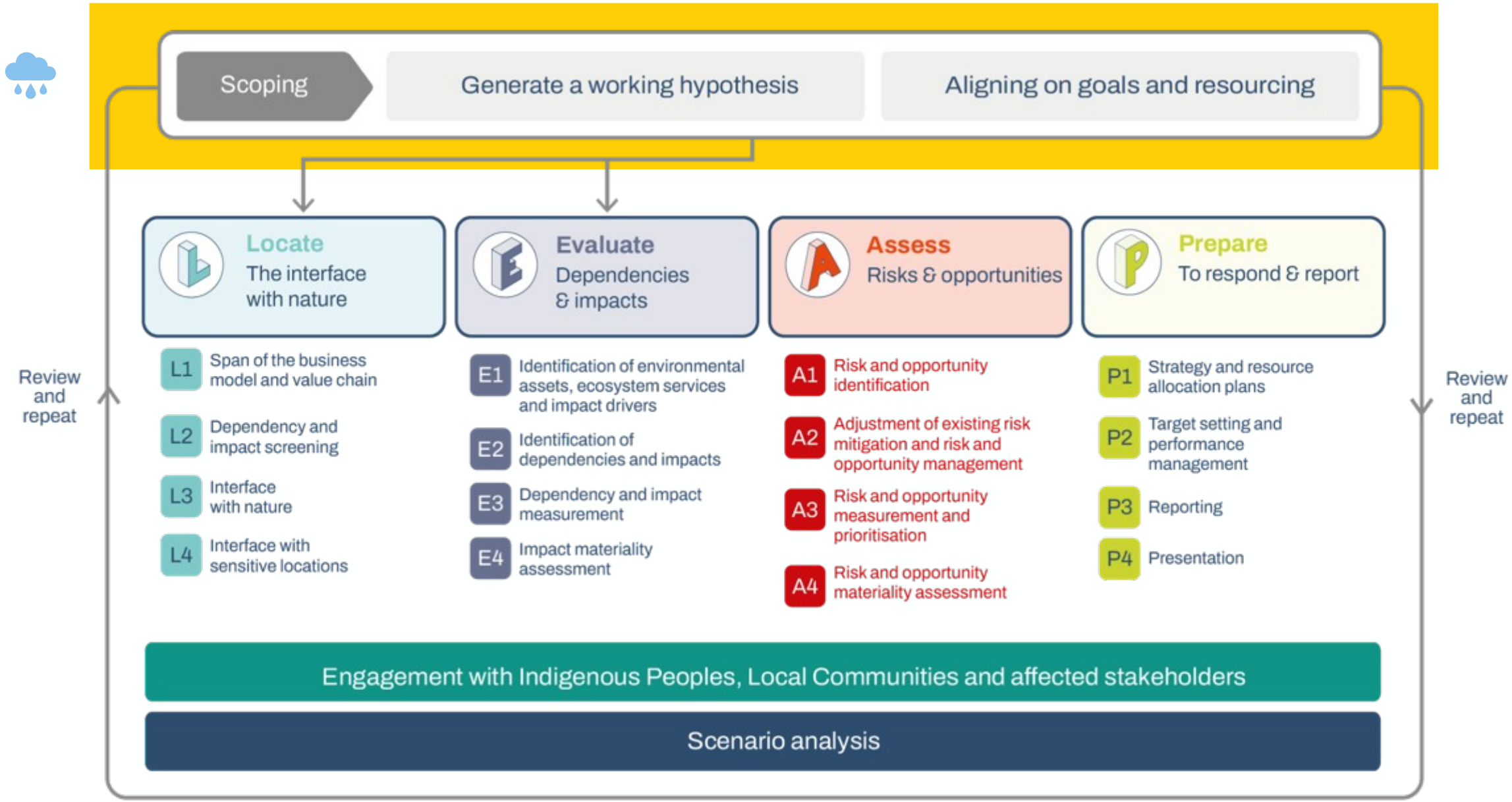
- Inviting our investors to visit forests and farms we manage on their behalf
- Presenting to investors and responding to investor questions
- Annual sustainability reporting
- Attending and presenting at sustainable investment events and conferences
- Publishing thought leadership

Industry engagement

Collaboration is a cornerstone of our business. We recognize that we can't specialize in everything, and we seek to establish mutually beneficial relationships with organizations and companies that can complement our strengths and that have a similar culture and values. These relationships not only help us improve our sustainability performance, but they also reflect our conviction that when it comes to solving global challenges, we're all in this together. Below are examples of peer and industry associations that we support, actively participate in, or are a member of:

- American Bird Conservancy
- Farmland Capital Alliance
- Global Impact Investing Network
- Leading Harvest[7]
- MIT Joint Program on the Science and Policy of Global Change
- Michigan State University Forest Carbon and Climate Program
- National Alliance of Forest Owners (NAFO)
- Pollinator Partnership
- SFI
- Water Education Foundation
- World Business Council for Sustainable Development (WBCSD)

Scoping



Source: TNFD (2024) TNFD in a Box

Scoping

The aim is not to invest too much time or too many resources but to define the parameters for a full assessment

Goals:

- Set out the parameters of the assessment e.g. *What parts of our portfolio are included?*
- Align internally on the resources needed

Terms of reference document

The TNFD recommend producing a TOR from the scoping exercise, laying out:

- A working hypothesis statement
- The assessment timeline and milestones
- The internal and external project team
- Data sources
- Budget

Practical tips

- Stay high level and avoid the temptation to dive into the data at this stage.
- In addition to scanning the organisation's potential nature-related issues, also scan for potential skill and data gaps that will inform resourcing decisions.

Introducing the case studies

Scoping case studies

Which case studies will we use to understand the LEAP process?



Vale S.A. is a Brazilian mining firm with revenue between $40-50 Billion per annum.

It operates mines in Brazil, Canada, Asia and Africa. Including major infrastructure such as ports, railways and shipping fleets.



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.



Cibus Capital is a boutique investment firm advising funds that deploy significant capital (over $1 billion) to sustainable agriculture and food systems.

It invests across Europe, North America, and Asia-Pacific



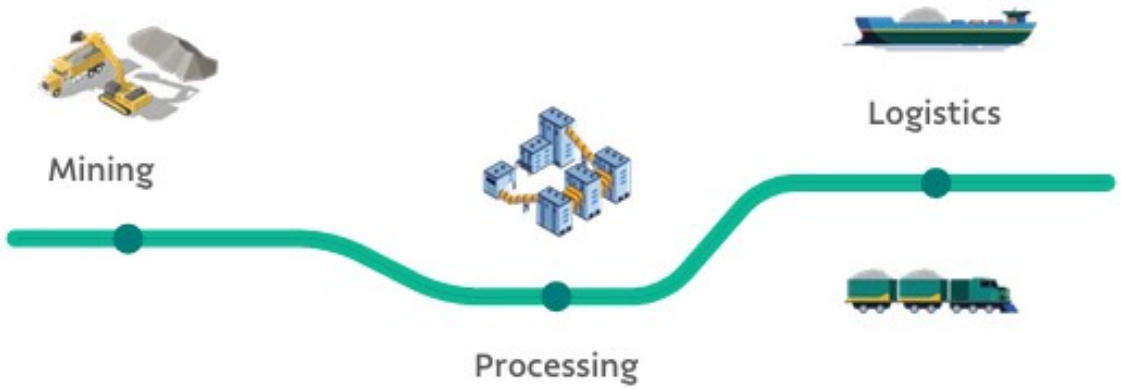
The Private Infrastructure Development Group) is a multilateral infrastructure development and finance organisation (approximately US $3.6 billion in AUM), operating primarily across Africa and South & Southeast Asia in sectors like energy, transport, water, logistics, telecoms, and social infrastructure.

Scoping case study - Vale

How did a mining corporate scope their TNFD report?



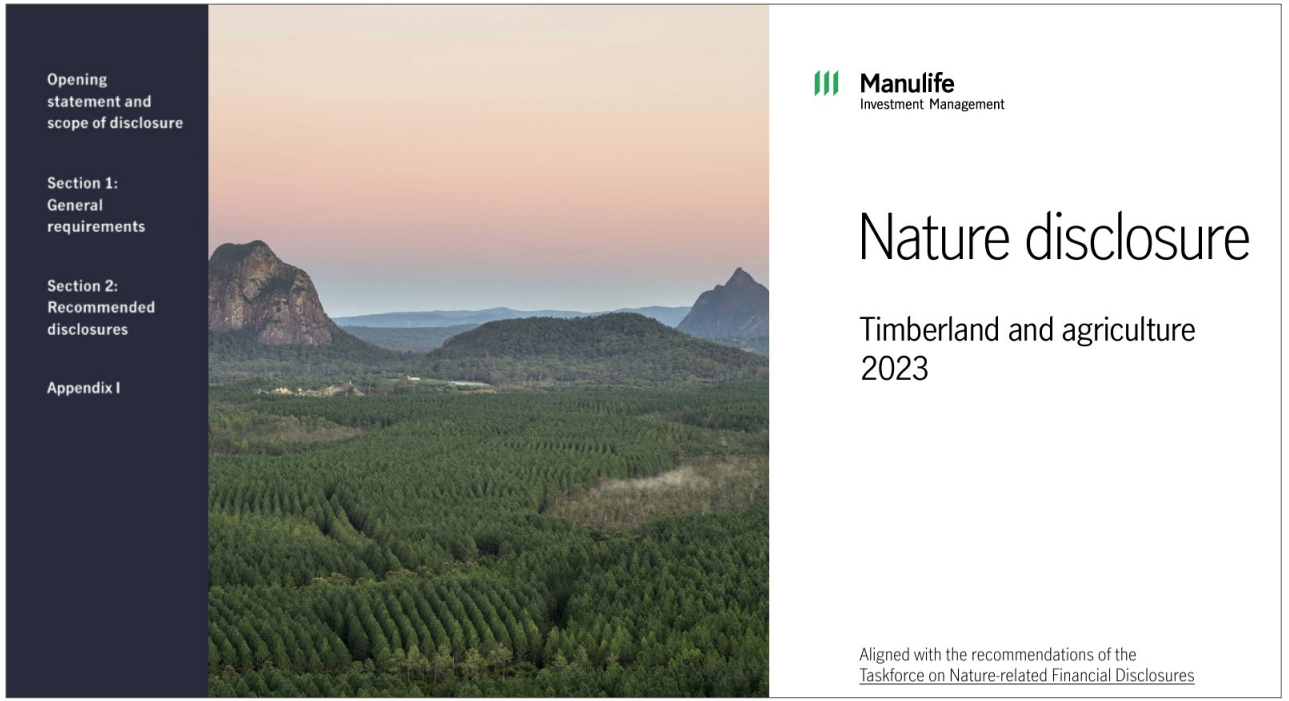
2023 Scope The pilot that was developed in 2023 involved Vale's direct operations located in Brazil (mining, including processing and logistics – railroads and ports), taking into account iron ore and base metals, with a total of 50 assets being analyzed.



Scoping case study - Manulife Investment Management

An example of LEAP scoping from an asset manager

- 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.



Scoping case study - PIDG

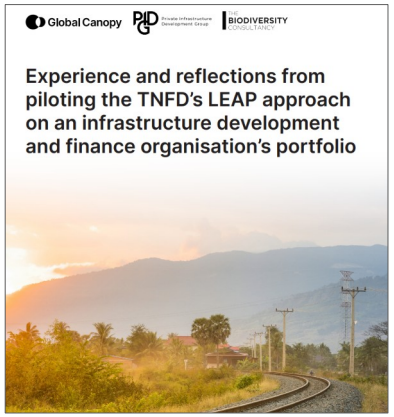
An example of LEAP scoping from a multilateral infrastructure development and finance organisation,

- PIDG scoped their LEAP assessment to financial products deployed in Asia by two of their subsidiary organisations InfraCo Asia and GuarantCo
- This included assessment of specified projects and corporates with multi-site developments.

Figure 1: Summary of how LEAP approach was applied in this pilot

	Scoping		
	Locate	**Evaluate**	**Asses**
Objectives	• Spatially explicit asset-level assessment to characterise relevant areas	• Assessment of nature-related impacts and dependencies at sector and transaction level	• Identify specific project or transaction based on their potential physical and transition risks
Description	• Sites characterised by biodiversity importance, ecosystem integrity and water stress	• Qualitative approach to dependencies and impacts • Semi-quantitative deep-dive into impacts of land use change	• Transaction tagging • Qualitative approach to nature-related risk complementary to PIDG's current risk assessment framework
Notes	• Only location of direct operations, for characterisation purposes • Location of supply chain and prioritisation are out of scope	• Due to lack of data, a quantitative assessment of dependencies and other impact pathways are out of scope	• Physical risk focused on water scarcity. It is not yet possible to perform quantitative assessment or scenario analysis

The analyses were undertaken in line with guidance given on the first three phases, the Locate (L), Evaluate (E), and Assess (A) phases, of the TNFD LEAP approach only. An opportunities assessment and the Prepare (P) phase was out of scope for this pilot.



Climate Risk Services

Thank you!

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

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