

Taskforce on Nature-related Financial Disclosures (TNFD)

Main elements of the framework



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1 | Executive summary

Objectives, scope and timeframe of the TNFD framework

The Task Force on Nature-related Financial Disclosures (TNFD) was founded in 2021 in response to a growing need for nature to be taken into account in financial and business decisions. Its mission is to develop a risk management and disclosure framework for organizations of all sizes across industries and jurisdictions to report on nature-related risks and opportunities. It seeks to work towards an integrated climate-nature scenario to inform sustainability decision-making.

Objectives



- Helps drive alignment with the emerging global reporting baseline under development by the **International Sustainability Standards Board** and best practice standards and tools already in use by market participants today.
- Provides **adaptability and flexibility** regarding the approach to materiality to accommodate the preferences and regulatory requirements of report preparers and report users from organizations of all sizes across all jurisdictions.
- Encourages early action by companies and financial institutions to begin **reporting nature-related dependencies, impacts, risks and opportunities**.
- Provides a structured path to **increase the ambition for nature-related information disclosure**.

Scope of application

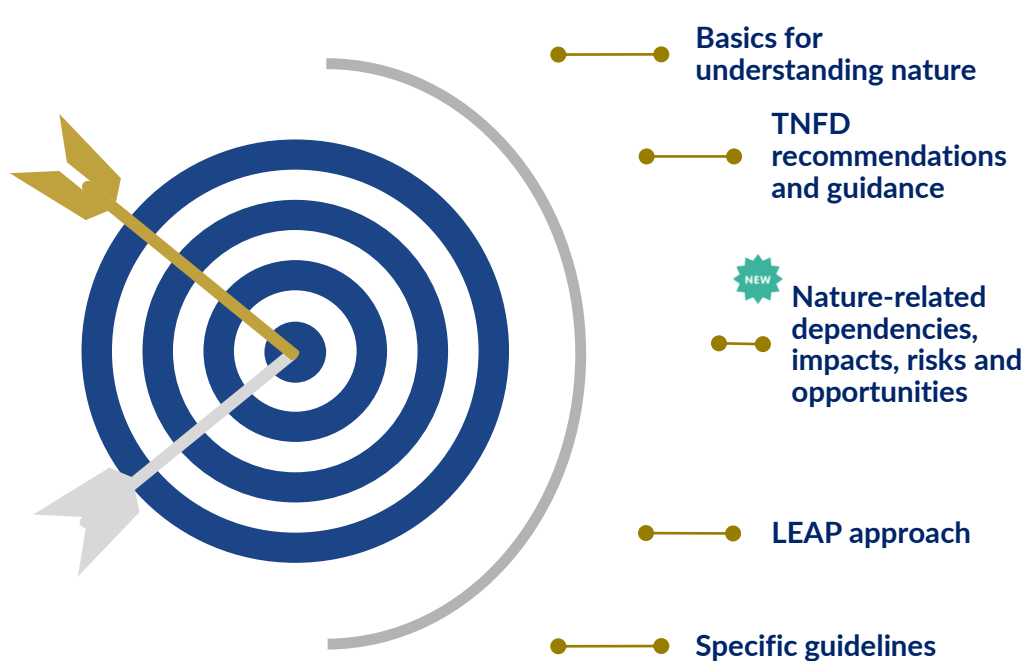
- Companies and financial institutions of all sizes across industries and value chains.



2 | Main components

Main points

The TNFD aims to create a risk management and disclosure framework that organizations of all sizes across jurisdictions can use to identify, assess, manage and disclose nature-related dependencies, impacts, risks and opportunities. According to the latest version published, the TNFD framework will be divided into five main components:



Fundamental concepts and definitions recommended by TNFD to understand nature.

Same four pillars as in the TCFD recommendations: governance, strategy, risk management, and metrics and targets.

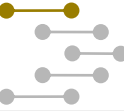
Different categories of metrics: i) a small set of core metrics that apply to all sectors to be disclosed on a comply or explain basis; and ii) a larger set of additional metrics, which are recommended for disclosure, where relevant, to best represent an organisation's material nature-related issues, based on their specific circumstances.

Integrated approach for the assessment and management of nature-related issues and involves four phases of assessment: i) locate; ii) evaluate; iii) assess; iv) prepare.

Focus on: i) sector guidance; ii) biome guidance; iii) scenario analysis guidance; and iv) Guidance on engagement of Indigenous Peoples, Local Communities & affected stakeholders.

2 | Main components

Basics for understanding nature



Measuring nature-related risks is a highly significant activity. TNFD has therefore developed a risk taxonomy to identify and classify nature-related risks in a simpler way.



Physical risks

- Physical risks are the direct result of an organization's dependencies on nature.

Acute risks

Chronic risks



Transition risks

- Transition risks are those arising from economic transformation and any changes needed to drastically reduce, and ultimately eliminate, net greenhouse gas emissions to achieve net zero emissions.

Policy

Market risk

IT risk

Reputational risk

Liability risk



Systemic risks

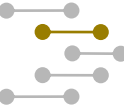
- These are risks that can be considered systemic due to their spread and multifaceted nature.

Ecosystem stability risk

Financial stability risk

2 | Main components

TNFD outreach recommendations



TNFD's new disclosure recommendations have been aligned with those issued by TCFD in an effort to facilitate and promote a transition towards integrated disclosure.



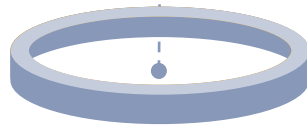
Governance



Recommendations on how organizations should govern nature-related dependencies, impacts, opportunities and risks.



Strategy



NEW Recommendations for disclosing nature-related dependencies, impacts, risks and opportunities on business, strategy and financial planning.



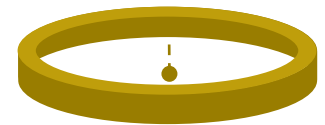
Risk and impact management



NEW Recommended disclosures on how an organization describes the processes used to identify, assess, prioritise, and monitor nature-related dependencies, impacts, opportunities and risks.



Metrics and targets



Disclosing the metrics and targets the organization has used to assess and manage nature-related dependencies, impacts, risks and opportunities.

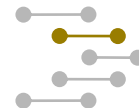


Minor amendments to the definitions on strategy, risk and impact management and metrics and targets vs V.04

2






Main components

TNFD outreach recommendations



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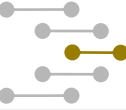
Recommended disclosures

	Recommended disclosures			
Governance 	<p>A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.</p>	<p>B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities</p>	<p>C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.</p>	
Strategy 	<p>A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term .</p>	<p>B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.</p>	<p>C. Describe the resilience of The organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios</p>	<p>D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.</p>
Risk and Impact management 	<p>A(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.</p>	<p>A(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s)</p>	<p>B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities .</p>	<p>C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.</p>
Metrics and targets 	<p>A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process</p>	<p>B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature .</p>	<p>C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.</p>	

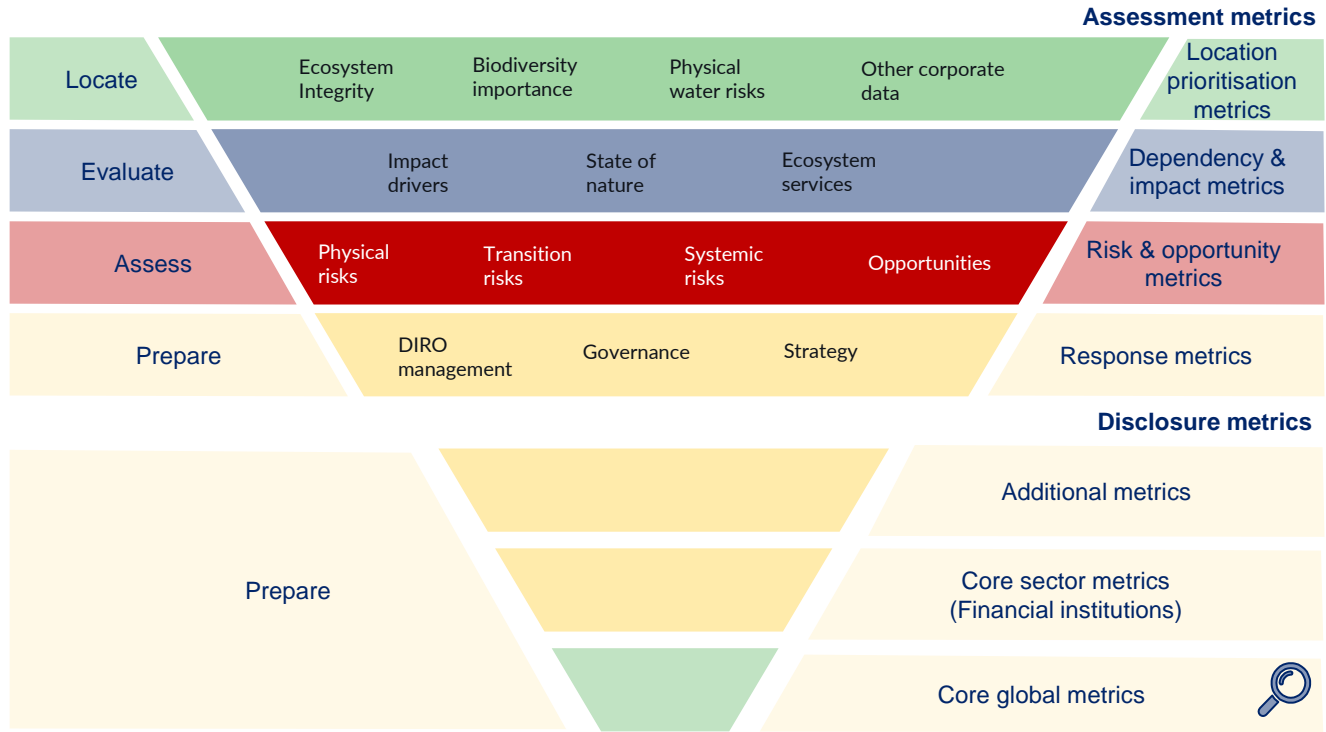
1. Recommendation D "Describe how affected stakeholders are engaged by the organisation in its assessment of, and response to, nature-related dependencies, impacts, risks and opportunities" was deleted in the final version of the standard.

2 | Main components




Nature-related dependencies, impacts, risks and opportunities



There are **disclosure metrics** that encompass the reporting and presentation processes (under prepare phase). The rest of the actions are included in the **assessment metrics group**. Also, TNFD's disclosure metrics approach includes 'core global metrics' that apply to all sectors and 'core sector metrics' for each sector to be disclosed on a comply or explain basis.



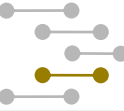
Indicators and metrics

-  **Indicator:** Extent of ocean use change
Metric: use change (km²) by type of ecosystem and business activity
-  **Indicator:** Wastewater discharged
Metric: Volume of wastewater (m³) and concentration of key pollutants (mg/litre) – Total
-  **Indicator:** High-risk natural commodities sourced from land
Metric: Quantity (tonnes) of high risk Natural commodities sourced from land, by commodity

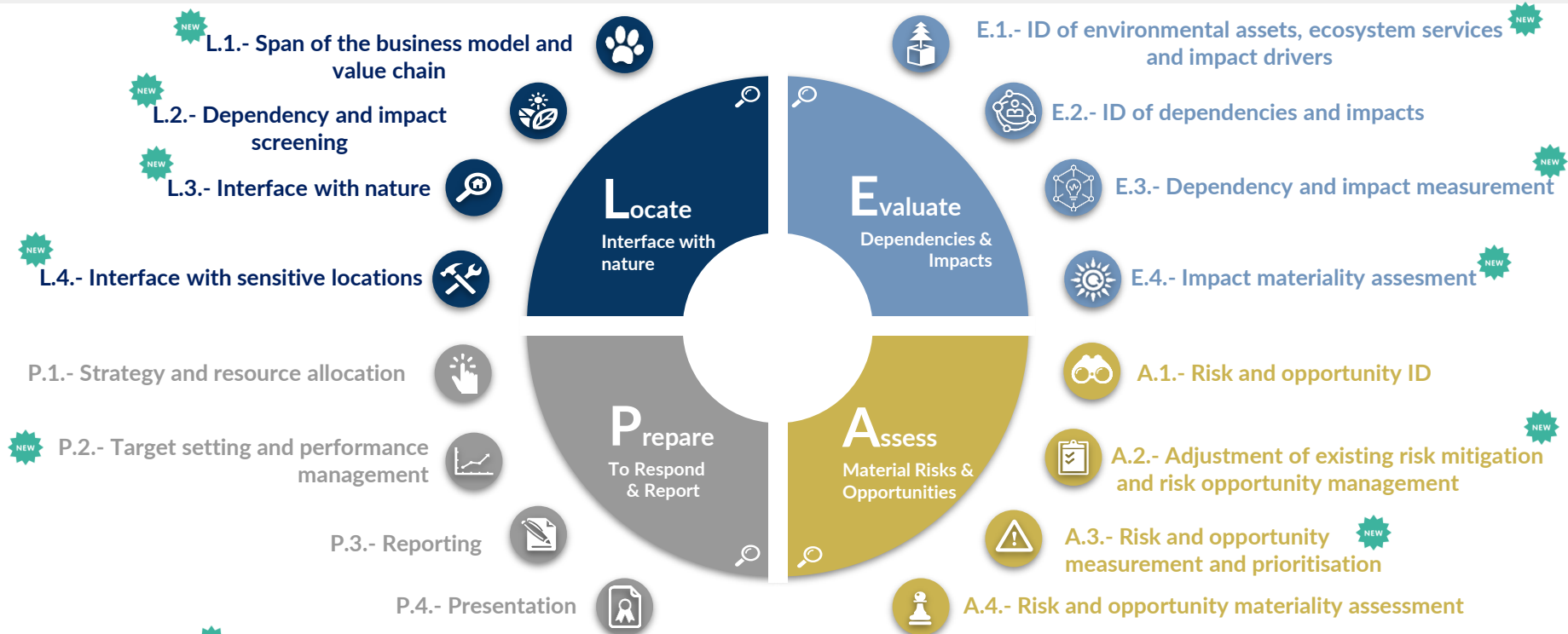
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Main components

LEAP approach: methodology and main lines of action

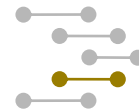


The LEAP approach consists of four main phases after an initial exploration of the organization's priorities: **Locate**, **Evaluate**, **Assess** and **Prepare**.



2 | Main components

LEAP approach: assessment



The assessment should be based on a quick, high-level, preliminary scan of internal and external data and reference sources to generate a hypothesis about the organisation's potential nature-related dependencies, impacts, risks and opportunities; and a determination of where likely skills and data gaps lie and how those gaps will be addressed to complete the scoped assessment successfully

1 Generate a working hypothesis

What are the organisation's business processes and activities where there are likely to be material nature-related dependencies, impacts, risks and opportunities?

- 1.1 Identify assets and activities in direct operations and value chains
- 1.2 Identify where nature-related issues might exist across the business model and value chain

Supporting questions

Does the organisation (and the assessment team) have a foundational understanding of nature-related dependencies, impacts, risks and opportunities?

What activities and/or assets are in the organisation's upstream and downstream value chains?

In which sectors, value chains and/or geographies does the organisation have a presence?

How much revenue, expenditure or earnings is associated with each of these activities and assets?
By sector, value chain and/or geography?

2 Aligning on goals and resourcing

Given the current level of capacity, skills and data within the organisation and given organisational goals, what are the resource (financial, human and data) considerations and time allocations required and agreed for undertaking an assessment?

- 2.1 Define goals and expected outcomes
- 2.2 Approach to materiality
- 2.3 Time horizons for the assessment
- 2.4 Evaluation of Knowledge, capacity, data

Supporting questions

What are the organisation's goals and expected outcomes from a LEAP assessment?

What is the organisation's approach to materiality? Who are the key stakeholders for TNFD-aligned corporate reporting and what information will be material to them?

What level of assessment is feasible or appropriate at this time given the complexity of the organisation's value chain? Should it be by product, process, input, business unit or site?

What are the baselines and time periods for the analysis?

What are the current limitations and/or constraints of the assessment? For example, skills, data.

Where is it appropriate to place the boundaries around an analysis? What are the relevant business activities, sectors, geographies and biomes?

2 | Main components

Specific guidelines



TNFD has produced a set of additional guidance to support organisations in identifying, assessing, managing and disclosing their nature-related dependencies, impacts, risks and opportunities. These documents provide guidance but are not compulsory

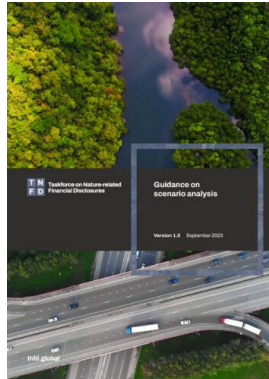
Sector guidance

Additional guidance to apply the TNFD Recommendations applies to banks, insurance companies, asset managers and owners, and development finance institutions.



Scenario analysis

Guidance to support identification, assessment and disclosure of nature-related dependencies, impacts, risks and opportunities in specific types of ecosystem



Biome guidance

Guidance for organisations who choose to use scenario analysis to explore the possible consequences of nature loss and climate change.



Guidance on engagement of Indigenous People, Local Communities

Guidance for meaningful engagement with local communities that outlines the foundation of international standards, guidelines and frameworks.



3

Why MS?

Differential aspects and areas of collaboration

Management Solutions has proven experience in multiple areas related to Sustainability and Climate Change and very specifically in the field of Risk Management

Differential aspects

Great experience

- Extensive experience in the field of Sustainability and Climate and Environmental Risk Management in leading financial institutions and insurance companies (GSIBs and DSIBs in Europe, Latin America and the US) and companies in the non-financial sector (Energy, TMT, Other sectors).

Strong knowledge

- **Multidisciplinary skills** (policies, appetite, origination and monitoring processes, taxonomy, information and reporting, etc.) and **strong methodological expertise** in physical and transitional risk scenarios (in banking, energy and other sectors) and portfolio alignment.

Social Impact Chair

- Sponsors and collaborators in the **Social Impact Chair** of an internationally renowned university in the specific field of **Social Impact Measurement methodologies**.

One firm

- MS operates as a "one firm" in all geographies in which the Group has a presence and for global and local projects.

Areas of collaboration



Diagnosis and roadmap for the TNFD implementation



Climate scenarios distribution and financial impact measurement



Preparation of a TNFD position statement/report

3 | Why MS?

ESG credentials by line of activity

Management Solutions has a working group of experts that supports its clients in the implementation of their environmental and social risk framework in each of the 6 defined lines of activity, providing expertise in each business area

MS capabilities in sustainability by line of activity

1 Strategy, Governance and Culture

- Diagnosis, strategic framework and general action plan.
Framework definition: Governance, methodologies, reporting.
Change Management: Project Management (PMO), Regulatory Observatory, Training.

2 E&S measurement methodologies

- Quantification of physical and transition risks through scenario analysis, Impacts on stress test, CO2 footprint, portfolio alignment and target setting, AI use cases in Sustainability, validation of ESG models, TNFD alignment, social impact, third party rating, in-house tools development

3 Sustainable business development

- Definition of taxonomy and marking of sustainable operations according to international standards.
Market diagnosis and analysis.
Design of sustainable business strategies (industries, products, services).

4 Risks

- Integration in risk appetite, admission and monitoring, ESR rating, collaterals value, ESG risk measurement in the supply chain,...

5 Data and Technology

- Requirements and definition of the ESG and climate risk reporting model.
Definition of the metrics and KPIs model.
Functional and technological architecture.
Analysis of alternatives (supplier vs. internal).
Implementation of ESG solutions.

6 Reporting (internal and external)

- TCFD, GRI, Double materiality and alignment with CSRD, Pillar 3 ESG, SFDR, EU Taxonomy and other local regulation, ESG dashboards, definition and implementation of reporting models, governance and data quality mechanisms,...



MSO

Management Solutions

Making things happen



International
One Firm



Multiscope
Team



Best practice
know-how



Proven
Experience



Maximum
Commitment

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