



SERVICE SPOTLIGHT

TCFD Alignment within a Global Materials Business

A Case Study Illustrating the Value in a TCFD Alignment across Organizations

By Third Economy, September 2023

In a regulatory and investor landscape increasingly focused on climate and environmental considerations, staying ahead of the curve is essential for businesses looking to thrive in the years to come. To meet today's challenges, we are excited to spotlight one of our most sought-after and rapidly expanding services – a **Task Force on Climate-related Financial Disclosures (TCFD) alignment and assessment**.

TCFD, an organization with a strong investor-centric approach, has emerged as a pivotal force in the global business and regulatory environment, influencing several global climate regulations, frameworks, and proposals, including the U.S. SEC's proposed rule on climate disclosures. TCFD is dedicated to enhancing transparency surrounding climate impacts through its widely recognized guidelines that instruct organizations on how to assess and disclose climate-related risks and opportunities.

But what does a TCFD alignment mean in practical terms? At its core, the TCFD provides a structured reporting framework centered around four fundamental pillars: *governance, strategy, risk management, and metrics and targets*. These pillars serve as the foundation for generating decision-useful, forward-looking information that can seamlessly integrate into a company's mainstream financial disclosures.

Third Economy takes pride in offering a comprehensive suite of TCFD services tailored to companies and organizations of all sizes across industries and geographies. From publicly traded corporations to small investment firms, our experts are committed to helping our clients navigate the complex landscape of climate-related disclosures.

To better inform our clients and prospects on this growing service, we've created a Q&A/Case Study on the merits of aligning with this framework. Read on below.

Why Align with TCFD?

To answer this question, we looked to one of our own clients whose adherence to TCFD recommendations serves as a cornerstone of their sustainability strategy.

Our client, based in Mexico, produces, distributes, and markets construction materials in Mexico, the United States, Canada, and Latin America.

This client has consistently demonstrated a forward-thinking approach to climate planning and reporting. However, the escalating demands of investors and the heightened expectations for greenhouse gas reduction from the construction industry has propelled them to take further action. Recognizing the importance of formulating a dedicated strategy to assess climate-related risks and opportunities, they proactively aligned their climate strategy and reporting with TCFD recommendations.

This strategic alignment not only positions our client advantageously in anticipation of potential regulatory changes in their key markets, but also underscores their unwavering commitment to leadership in the realm of climate responsibility.

How does Third Economy Approach this Service with Clients?

Third Economy facilitated the company's alignment with TCFD recommendations through a structured process. We collaborated with subject-matter experts across the organization to evaluate several key aspects through a climate lens. These aspects included looking at the company's governance structure, business strategy, risk management processes, and key climate-related metrics and goals.

We then conducted a comprehensive climate scenario analysis to gauge the resilience of our client's strategy in the face of a changing climate. This exercise allowed us to guide the working group, ensuring that they grasped the intricacies of climate-related risk and TCFD recommendations. Our aim was two-fold: to educate decision-makers and to identify areas warranting further attention.

Third Economy utilized the company's existing materiality assessment to highlight the crucial connection between its business strategy, sustainability strategy, and climate strategy. Ultimately, our efforts fortified the integration of climate considerations into the organization's broader business strategy.

The outcome? Information that could be included in their annual sustainability report and in a standalone TCFD report for stakeholders and investors. Not to mention greater education across the organization and a strengthened climate presence within the company's overall business strategy.

What Results Can Clients Expect to See?

TCFD Alignments can be undertaken for a multitude of reasons, each specific to any organization or company. While we are still in the midst of publishing our client's report, here are some of our goals that we hope to achieve:

- Higher investor sentiment
- Early engagement from internal teams on coming reporting requirements
- A clear roadmap for integrating climate risk into overall business risk and financial planning
- Higher engagement from employees on published metrics and targets

What Should Other Companies Know about Partnering with Third Economy to Align with TCFD Recommendations?

While TCFD alignment can feel like a heavy lift, our team can support the process with a gradual approach, with a “soft” alignment for year one and a transition to a “full” alignment with a scenario analysis in subsequent years. We are here to meet your goals.

Our clients are the best information sources on why a TCFD partnership with 3ECON is worthwhile. We were lucky to receive this recent feedback on our work process to date:

“Third Economy creates content that is immediately actionable – ready to add to spreadsheets, to present to executives, to integrate into reporting, and ultimately, to implement within the organization. Above and beyond any box-checking exercise.”

We are grateful to all of our incredible clients for trusting this work to our team. Want to know if TCFD alignment is right for your business? [Get in touch](#) with our team so we can match your needs to the right climate-reporting framework today.



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