



July 29th 2022.

International Financial Reporting Standards (IFRS)

International Sustainability Standards Board (ISSB)

Re: Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

We welcome the opportunity to comment on the mentioned Exposure Draft and present general comments to the draft standards, in a very summarized and objective way, hoping they are carefully analysed and considered.

The Association Soluções Inclusivas Sustentáveis (SIS – Sustainable Inclusive Solutions, in English) is a Brazilian-based non-profit organization focused on the connections between Sustainability and Finance, with a deep expertise on ESG financial regulations and voluntary standards at global-level. Since 2017, its seed-organization, a small consultancy founded also by me, has been contributing to public consultations of financial regulators, including in the European Union, USA, Brazil, China, Chile and India. We have also been delivering training to financial regulators and financial institutions and providing consulting services to organizations such as the Taskforce on Nature-related Financial Disclosures (TNFD), the IFC-hosted Sustainable Banking and Finance Network, the German international cooperation agency GIZ, the World Wildlife Fund (WWF), Principles for Responsible Investment (PRI), the Chain Reaction Research, and others. Previous to that, I have developed a broad and deep research on ESG finance including financial regulations and market best practices at global level from 2014 to 2016, and have worked as Legal Counsel at the Brazilian Central Bank, who is also the national banking regulator, from 2007 to 2016. My PhD research (mostly developed in the USA) was focused on consensus-building on public policies disputes and I have also delivered dozens of trainings and acted in real conflicts on the field in Brazil. I have several scientific publications on both knowledge fields and have been talking in many relevant multistakeholder Sustainable Finance forums.

As a result of this background and professional experience, I have learned that the **main missing essential pieces of information in corporate sustainability disclosures** are two: 1) the location of the companies' operations (especially beyond administrative offices and commercial points), 2) the value-chain, including, but not limited to its location – and which part of the chain is more relevant, if upstream

or downstream depends on the industry, because for each industry the environmental and social risks (including climate risks) and impacts might vary a lot. For the agriculture industry, for example, in case of an inputs manufacturer (such as Bayer), the deforestation risks are downstream, because their clients are farmers (of course I am excluding the other Bayer's activities in this example). In the case of Bunge, who buys soybeans from farmers, the deforestation risks are upstream, once their clients are farmers, and if these farmers operate in Brazil, for example (the world's largest soy producer), these risks are huge.

I see the departure point of the draft standard is the TCFD framework, which has a very relevant approach, but it is basically focused in the **company strategy** to deal with climate risks and opportunities.

However, as a facilitator to consensus-building process involving complex issues, one of the first things I have learned is that, before you start to solve a problem, you need to agree about what the problem is. And there is no possible way for investors to assess if the climate (or sustainability) strategy of a company is appropriate if they are not informed about minimum objective data that set a baseline for the definition of the strategy. The location of operations is essential to understand climate physical risks, specially the acute ones, arising from extreme weather events/disasters, but, depending on the industry, also the chronicle ones, such as draughts or relevant changes in rainfall patterns, that might affect the productivity of agriculture crops, for example. It is also essential to understand biodiversity risks, either linked to water availability, soil, deforestation risks, risks to marine biodiversity and so on. Furthermore, it is critical to understand if there are any relevant risks to vulnerable local communities, especially tribal people, who are still found all over Latin America, Africa, Asia, Oceania and even in certain locations in USA, Canada and Europe.

But, thus far, companies only disclose their sustainability information the same way they do with their financial information: consolidated in a global way, without clarifying not even the countries where they operate, and even less their specific location, which is very relevant in many large countries, such as the USA, Brazil, China, etc – countries that have different biomes, with very different environmental traits and risks, which affects both their climate and biodiversity vulnerability. Moreover, many companies do not disclose the **exact quantitative data of their production** (of goods or services) either, making it impossible to assess basic environmental performance indicators such as energy efficiency, water efficiency, waste management efficiency, etc. The disclosure of revenues/sales, data on workforce, etc, everpresent in corporations reports, is obviously not sufficient for sustainability purposes, not even if accompanied by information on a sustainability strategy whose grounds (the baseline point) nobody is able to understand and therefore assess.

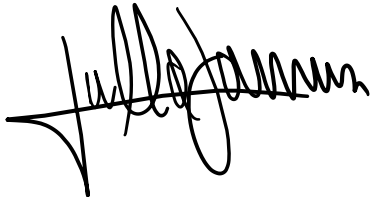
Only by having the **precise and complete data on location and value-chain** (amongst others, such as energy mix and consumption, water consumption, volume and destination of waste, all this compared to production) will investors be able to **understand the magnitude of the climate and other environmental and social risks that any organization has to face and then evaluate if their strategy is appropriate or not**. By the way, it is important to highlight that there are already many available (mostly free) online global tools that help organizations to understand and manage the specific environmental and social risks in each geography: a few examples are Think Hazard (<https://thinkhazard.org/en/>), for climate and other hazard risks, Climate Central (<https://coastal.climatecentral.org> and <https://sealevel.climatecentral.org> (for risks of sea-level rise), the Integrated Biodiversity Assessment Tool (<https://www.ibat-alliance.org/>), Global Forest Watch (www.globalforestwatch.org), Water Risk Filter (<https://waterriskfilter.org/>), etc. At national level, there are even more, such as, in Brazil, MapBiomias

(<https://mapbiomas.org/>), now available also in Indonesia. And all that companies need to do in order to help investors to understand their environmental risks is to disclose their addresses or, even better, the georeferenced location of their operations. And the quantitative data on production of goods or services, energy consumption, water consumption and waste volume and destination (at least), separated per each location, should also be disclosed. Nothing could be more simple to disclose than that. Regarding value-chain, in case there is any sensitive commercial information, disclosure of basic location information and of actions to undertake environmental, social and climate risks per location should be enough.

And, unfortunately, I don't see that these very simple, but at the same time very relevant (or material) items are required in IFRS draft standards. That is why I am proposing they are duly included.

Should you have any queries concerning the matters pointed out in this comment letter, or wish to discuss them in further detail, please contact me via e-mail at: lumoessa@hotmail.com (in the near future, also luciane.moessa@sis.org.br).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Luciane Moessa', with a large, stylized flourish extending to the left.

Luciane Moessa

Founder, Executive and Technical Director of Sustainable Inclusive Solutions (SIS)

Website available by the end of August: www.sis.org.br

Current website: www.sisctm.com.br (from the previous seed-organization)