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Contributions of Soluções Inclusivas Sustentáveis (Sustainable Inclusive Solutions – SIS) to the Taskforce on Nature-related Financial Disclosures (TNFD) version 0.2 of the Framework

1. Scope and purpose of TNFD

Before we give our feedback, we would like to thank you for the opportunity to provide feedback and initially provide some general comments on the scope and final purpose of TNFD.

While the final purpose of TNFD is to develop a framework for nature disclosures, the development of a conceptual framework and of the “LEAP” approach thus far is closer to guidance, which is of course an important part of the needs to boost action, but we think should not be the main focus at this point.

However, the frequent references to TCFD framework, which address a less complex set of factors, is also pretty far from providing a framework for the disclosure of an objective set of data, and actually provides a framework for a narrative around climate action, raises concerns about how the actual framework for disclosures will look like.

To be more clear: there is no point in disclosing a company’s approach to solve a problem (governance, targets, metrics and strategy – the key elements of TCFD - are only means to an end) if the company does not disclose, first of all, which is exactly the “problem”. By disclosing “which is the problem”, we mean, in the case of companies, GHG emissions (including value chain) and other impacts its activities have on GHG balance on atmosphere (therefore, considering also GHG capture), as well as in other sources of climate regulation (once forests, for example, affect climate not only through CO₂, but also through water vapour (and this is not “rocket science”, this is how photosynthesis works). So, it’s only possible to assess if a company’s governance, strategy and targets regarding climate risks and opportunities are appropriate once the complete baseline is provided. While some companies and financial institutions do go beyond narrative disclosures and disclose their GHG emissions (and even of the whole chain), for example, in general a lot of space is left to the description of actions without the description of the baseline for action. This is equivalent to describe all the changes you made to your diet and that your purpose is to lose 10 kg in 6 months without disclosing first which is your current weight and height.

It is crucial to highlight that TCFD’s actual impacts in terms of composition of financial institutions portfolios and reduction of climate risks of real economy’s companies is very shy.



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Unfortunately, raising awareness and a lot of conversation about a problem is not enough to solve a problem. More objective data are needed and, of course, subsequent action.

Regarding **metrics**, letting it to the choice of each company it's exactly the opposite of what we need: **standardisation**. TNFD current version already recognises that clearly in the first paragraph of "Metrics and targets": *"The lack of standardisation of nature-related metrics limits corporate and financial institution measurement, management and reporting of nature-related risks and opportunities and poses challenges for providing comparability in a practical way across and within sectors, one of the key requirements emphasised by market participants."* This problem prevents investors and clients, for example, from comparing the environmental performance of companies that operate in the same sector.

A point that is hard to grasp in the item "Measurement of impacts on nature" is how can be "water and land pollution" and "air pollution" be considered "**indirect** drivers" of ecosystem degradation. Only land conversion can be more direct than that, but still pollution is one of the main forms of environmental degradation.

Concerning the scope of TNFD, then, what is not clear is why, at this point, some basic key topics of disclosures have not been addressed, such as:

- a) disclosure of the locations of the relevant (from a nature perspective) operations of the companies and, in case of financial institutions, of the relevant financed activities – this is already more than obvious and we should be discussing **how** to do it; there is no possible "if";
- b) disclosure of the relevant nature impacts and risks in the value chain – again, it is quite clear (including learning from climate issues) that many times the main nature impacts and risks come either from the supply-chain (the classic examples are the metallurgical industry, where they come from mining, or the beef industry, where they come from farmers) or even from clients (a good example are the agriculture inputs suppliers, whose clients are, again, farmers); once there are sensitive competition information involved, we should also be discussing **how these disclosures can be done**: location level, aggregated information, etc; and the topic discussion is still absent in the framework;
- c) disclosure of other relevant data, such as the volume/quantity of the production or services of the company or financial institution; the examples provided of cross-industry indicators for disclosure are very good, but the absolute figures don't mean much if one does not have the total production of the company in order to assess then its efficiency in the use of natural resources or in the reduction or reuse of solid waste, toxic waste, effluents or air pollutants.



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2. Nature realms and biodiversity

While the examples of indicators do include biodiversity (of fauna and flora), the framework has chosen to focus only on their habitats: air, soil, freshwater and oceans. We believe these realms can be considered what is named “natural capital”, but biodiversity should be considered a separate dimension, that requires different metrics and data.

3. Metrics and indicators

Maybe the most important sentence we have found in the current version of the framework is: *“**Baselines and reference states:** State of nature metrics should compare the current ecosystem condition to a baseline and reference state. Rate of change metrics should be compared to a starting baseline.”* This is exactly what is needed and should be clearly emphasized in the framework for disclosures. (included in the item “Illustrative assessment metrics and criteria for user selection for impact and dependency analysis”)

Also, regarding waste generation, we suggest that the framework separates clearly the volume/proportion of waste generation that was recycled or reused (by the company itself or other companies for whom they are raw materials or inputs) from the final balance of waste that received another destination, such as industrial landfills. This is not clear yet in the set of examples provided.

Finally, we consider essential, as illustrated above, that TNFD really provides metrics and key indicators, rather than only examples. Guidance is something that is needed later, but a sound framework should already include the necessary metrics and indicators.

4. Future developments

4.1. Sector guidance

The mapping of sectors seems very appropriate and complete. We suggest a nature impacts materiality assessment for prioritisation.

4.2. Realms

As said above, we agree with the approach proposed, but we suggest that biodiversity is added a separate dimension as well.



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4.3. Biomes

We agree that biomes are a good starting point, but we suggest that TNFD aims to gather information at water basin level. Some biomes (like Amazon or Brazilian Cerrado) occupy a huge area and some further granularity is actually required. And we strongly suggest that the mapping of available (and missing data) is linked to biomes and water basins.

Final remarks

We would like to be at your full disposal to make further clarifications and contributing with the future developments of TNFD, considering our expertise and our potential time availability.

Best regards,



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