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**Contributions of Soluções Inclusivas Sustentáveis (Sustainable Inclusive Solutions – SIS)
to the Taskforce on Nature-related Financial Disclosures (TNFD) version 0.3 of the Framework**

1. Scope and purpose of TNFD

We would like to thank again for the opportunity to provide feedback and reinforce some general comments on the scope and purpose of TNFD.

While the main purpose of TNFD is to develop a framework for nature <u>disclosures</u>, the development of a conceptual framework and of the "LEAP" approach thus far is much closer to <u>guidance</u>, which is of course an important task, but should not be the main focus at this point (guidance should come later).

The great source of inspiration is the TCFD framework, which address a less complex set of factors. And this model is pretty far from providing a framework for the disclosure of an <u>objective set of data</u>, actually providing a framework for a <u>narrative</u> around climate action.

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) <u>disclosure of the locations</u> 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 <u>nature impacts and risks in the value chain</u> – 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) <u>disclosure of other relevant data, such as the volume/quantity of the production or services of the company or financial institution</u>; 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

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in the use of natural resources or in the reduction or reuse of solid waste, toxic waste, effluents or air pollutants.

2. Guidance for financial institutions

As the title of the document reveals, guidance is provided before any disclosure model for financial institutions is actually issued.

So, even if we acknowledge that the guidance proposed is better than nothing, we suspect its capacity of producing real impact is very limited.

There is value in disclosing governance and targets concerning nature risks and impacts, but, if the purpose is really to provide a picture of how a specific financial institution at a certain moment manages nature risks, impacts and opportunities through its loan, investments or risk subscription portfolio, we suggest the following set of objective data to be disclosed:

a) percentage of portfolio's activities for which the exact location is known and aggregate data in terms of location, at least at biome level (preferably, at water-basin level);

b) percentage of portfolio's activities whose most relevant risks and impacts come from the value-chain, for which the location of the value-chain is known and there's engagement with these portfolio's companies regarding nature risks in the value-chain;

c) portfolio industry composition (with percentage for each);

d) how nature risks and impacts that are specific to each industry are reflected into the financial institution policies (in case they have companies that operate in these industries in their portfolios);

e) how the level of nature risks and impacts of any company affect the decision-making process of lending, investing or subscribing risks as an insurer (in terms of inclusion or exclusion of companies);

f) how the level of nature risks and impacts of any company affect the conditions of loans, investments or insurance (in terms of costs, duration, periodicity of risk monitoring, etc);

g) level of expertise of risk management and product development staff in terms of nature risks and (positive and negative) impacts;

h) if there are any consequences of nature target-setting in the compensation schemes of superior management;

i) periodicity of disclosure of performance against targets;

j) which are the public and private sources of information/data on nature risks and impacts (in order to assess if there is any robust baseline to manage these risks).

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These contributions are made with the purpose of making sure that TNFD's recommendations are really able to produce a relevant impact, rather than narratives around a topic that requires actual action. And transparency around the baseline is an excellent departure point.

Best regards,

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