



March 29<sup>th</sup> 2024.

To: Taskforce on Nature-related Financial Disclosures (TNFD)

Re: Sector-specific guidance

We welcome the opportunity to comment on and present proposals of improvement to the draft sector-specific guidance, in a very summarized and objective way, hoping they are carefully analysed and considered.

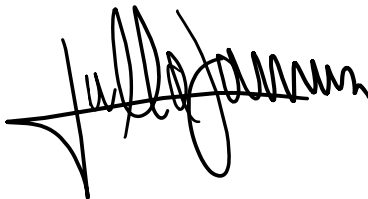
Just a short introduction before we present our suggestions: the Association Soluções Inclusivas Sustentáveis (SIS – Sustainable Inclusive Solutions, in English) is a Brazilian-based non-profit organisation focused on strengthening the connections between Sustainability and Finance, with a deep expertise on ESG financial regulations and voluntary standards at global-level, as well as best market practices. Since 2017, its seed-organisation, 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 organisations 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.

SIS is a member of the Laboratory for Financial Innovation (LAB – [www.labinovacaofinanceira.com](http://www.labinovacaofinanceira.com)), the main Sustainable Finance multistakeholder forum in

Brazil, of Coalition Brazil Climate, Forests and Agriculture (<http://coalizaobr.com.br/>), of the TNFD Forum (website: [tnfd.global](http://tnfd.global)) and of the Climate Observatory (“Observatório do Clima” in Portuguese – [oc.eco.br](http://oc.eco.br)), a coalition of more than 110 civil society organisations active in Brazil. SIS has currently three workstreams: a) advocacy on ESG financial regulations (banking, insurance, pensions and capital markets); b) ranking of Brazilian financial institutions on their ESG policies and actions; c) contributions to a Brazilian Green Taxonomy (classification system of economic activities according to their environmental, social and climate impacts) – as such, we have been able to write a bill (proposal of law) to the Brazilian Parliament that brings the principles of this Taxonomy ([PL 2838/2022](https://www.planalto.gov.br/ccivil_03/leis/2022/PL2838-2022.html)). As most of the economic activities that cause climate change (or can contribute to mitigation and adaptation) are financed through lending and/or investments and many times use insurance, we believe that our mission can have a relevant impact on climate change mitigation and adaptation.

Should you have any queries concerning the suggestions, or wish to discuss them in further detail, please contact via e-mail at: [luciane.moessa@sis.org.br](mailto:luciane.moessa@sis.org.br).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Luciane Moessa', with a stylized, cursive script.

**Luciane Moessa**

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## I – Suggestions for all industries/sectors

In order to make the guidance more practical and useful at the same time, going beyond what other global standards/frameworks have already established/recommended, we suggest two key points:

- a) Separation between topics and their corresponding key-performance indicators (KPIs) where the location is relevant and topics where the exact location does not matter

In order to make this suggestion more clear, the best strategy is to provide examples.

So, when the topic is climate change **mitigation**, a common KPI is GHG emissions, usually measured in CO<sub>2</sub> equivalent. This is a typical topic where location does not matter, what matters is only the quantity of emissions.

However, if we consider climate change **adaptation** or biodiversity risks/impacts (amongst other topics), the location does matter – if the economic activity is close to a biodiversity hotspot or not, if it is close to an indigenous tribe, if it is close to the ocean or to a water spring, this makes the whole difference. Whenever we are considering an impact in a terrestrial or aquatic ecosystem, or in a local community, location matters. And to make it clear for those who are going to apply the framework would be very useful, specially because the consideration of the precise locations of financed, invested or insured activities is still far from being established in the financial sector.

- b) Separation between different companies/activities of the value-chain:

The value-chain of many industries/sector is quite complex and can be developed in many different formats, due to a number of economic, social and historical factors. This does not mean that it is not necessary or useful to try to separate, because the topics and KPIs are not the same at each stage of the production/value-chain and mixing them all together when many times they are developed by different companies causes a lot of confusion.

Again, other standards and frameworks have not done this separation either and it is possible to find, for example, in the Transportation sector, standards that include the construction of roads or railways, others that include the manufacturing of vehicles, and others that consider only the services of transportation itself (it is also necessary to separate aerial, marine, terrestrial by train, terrestrial by roads, cargo transportation, as well as individual means of transportation, etc). And the companies that provide these different services or manufacture different vehicles or build the infrastructure are very different and the environmental/social risks and impacts are also very different. They should not be included all together under simply “Transportation sector”.

In the case of the sectors selected as priorities by TNFD, the same happens, for example, with “Mining and metals”, where the extraction of minerals and the manufacturing of metals are very different activities, with completely different risks and impacts. The main manufacturing impacts are pollution and GHG emissions (a lot of fossil fuels are usually consumed), while for the mining itself, there are huge biodiversity risks and impacts, as well as (usually negative) impacts for local communities. There are companies that operate both activities, but there are many others that only do mining or only operate manufacturing. We believe that the separation would be quite useful. Whenever a company does both, then the investor, the bank lender or the insurer can simply assess the different parts of the companies operations using both frameworks. But if not, separation is already done.

The same can be said for Agriculture, whose value-chain is even more complex – there can be the farmer who grows vegetables and sells them in the town market and there can be the chain that starts with the farmer, then goes to the distributor, then the supermarket, then the restaurant (to simplify with vegetables, without considering processed food) – upstream, there are also the providers of seeds, fertilizers and other inputs. And it’s not acceptable or reasonable to think that the same KPIs that would be used to the farmer are used for the supermarket, the food processor, the meatpacker or the fast-food chain. So, we suggest that there is also a separation, in order to make the framework more “fit for purpose” for the financial players who are expected to apply it.

## **II – Suggestions for Agriculture**

The list of topics and KPIs is really good and we acknowledge TNFD has gone well beyond all the previous standards regarding environmental issues, besides integrating climate change issues as well.

But we still see a couple of topics/KPIs missing in the Agriculture sector, that we suggest are incorporated:

- a) for farmers (who are suppliers of other companies in the chain):
  - percentage of total area with native vegetation;
  - percentage of total area with secondary vegetation;
  - percentage of area where biofertilizers are used;
  - productivity (tons/hectare) of areas where biofertilizers are used;
  - percentage of fertilizers that are made of animal manure, biological fixation of nitrogen or other sort of biofertilizer;
  - productivity (tons/hectare) of areas where chemical fertilizers are used;
  - expenses (dollars/ton of product) with chemical fertilizers;
  - expenses (dollars/ton of product) with biofertilizers;
  - percentage of total area located in regions with water stress;
  - percentage of total area where irrigation is used and which type (sprinkler or drips);

- percentage of total area where there is monitoring of productivity considering changes in climate patterns;
  - percentage of total area where there is monoculture;
  - percentage of total area where there is agroforestry, crops rotation or regenerative agriculture;
  - average distance from the clients premises;
- b) for other companies (inputs suppliers or clients) in the value-chain:
- average distance from the farmers premises;
  - percentage of farmers that are tracked according to environmental/climate KPIs and what sort of tracking is adopted;
  - percentage of products with environmental/climate life-cycle assessment;
  - quantity of fuels (liters/tons of product) used;
  - number (per year) and impacts of environmental incidents in the operational area of the company;
  - percentage of products that use plastic for packaging where fossil-based plastic was replaced by biodegradable one or by other environmentally friendly material.

### III – Suggestions for Mining

The list of topics and KPIs is really good and we acknowledge TNFD has gone beyond previous standards for Mining regarding environmental issues, besides integrating climate change issues as well. Please note that we did not analyse Metals Manufacturing yet and that, for Mining, we received the technical contribution of “Fórum Permanente do São Francisco” (FPSF), a coalition of experts and environmentalists based in the Brazilian State of Minas Gerais.

As we still see a couple of topics/KPIs missing in the Mining sector, we suggest are incorporated:

topics/KPIs for which location is irrelevant:

- no suggestions;

a) topics/KPIs for which location is relevant:

- recycling of water used for ore mining and processing;
- identification of the impacts in the regular flow rates of watercourses affected by the mining activities in each of the mining sites;
- existence or not of lowering of groundwater tables and, if so, the extent of the impacts of the lowering of groundwater tables on springs and watercourses in the directly affected areas, areas of direct influence and areas of indirect influence of each of the mining sites;
- Description of the tailings disposal methods used in each of the mining sites, with identification of the quantity of ore produced and, in the case of dams or piles of tailings, the distance of each of them in relation to human groups, sensitive terrestrial

ecosystems and watercourses, as well as whether the dams are upstream or downstream;

- Adoption or not of depositing waste in exhausted pits (indicating location and percentage of operations in which this occurs);
- Adoption or not of waterproofing the pit and controlling acid waste drainage, if the technique referred to in the item above is adopted, according to CRIRSCO standards (2019), recommendations from the Canadian Dam Association and ABNT NBR 13028/13029 standards;
- Methods used to dispose of sterile waste (stacking, disposal in exhausted pits and measures adopted to prevent contamination of groundwater, according to parameters referred to in the previous item)
- Adoption or not of tailings drainage techniques before depositing in dams, per mining site;
- Adoption or not (and, if so, in what absolute and percentage quantities, per mining site) of a destination that allows the reuse of waste, such as bricks or raw sand for civil construction, base and sub-base of asphalt paving;
- Use or not of water to transport minerals (mineral pipelines), per location, in order to assess whether this occurs in regions of water stress;
- Safety measures to prevent the failure of existing dams (active or deactivated) in light of changing climate patterns, considering the increase in rainfall volume – data by dam location;
- Location, data on safety inspections and plans for decommissioning of all tailings dams that are no longer active, per location;
- Identification and mitigation of impacts on ecological corridors for terrestrial and aquatic fauna and flora as a result of mineral extraction.