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## NATIONAL TNFD CONSULTATION GROUP IN COLOMBIA: COMMENTS & FEEDBACK

**Subject: Comments to version 0.4 of the TNFD Framework**

**Date: June 1<sup>st</sup>, 2023**

**Country: Colombia**

Dear Taskforce on Nature-related Financial Disclosures Members,

The National Business Association of (ANDI), acting as the National Consultation Group of the Task Force on Nature-related Financial Disclosures (TNFD) in Colombia, would like to express sincere recognition and appreciation for the diligent work in developing a comprehensive framework to manage and disclose the impacts, dependencies, risks, and opportunities associated with nature.

From our National Center of Water and Biodiversity (CNAB), we conducted a nationwide consultation exercise to collect feedback and comments on the TNFD framework, its guidelines, and annexes. We utilized the following methodology for the consultation exercise:

1. We conducted surveys to gather country-level and sector perspectives.
2. We conducted semi-structured interviews with key stakeholders, including companies implementing pilot projects.
3. We organized five hybrid meetings and an in-person workshop involving public, private, and multilateral organizations.

Our consultation exercise saw participation from multiple sectors, with 23 companies completing the surveys, ten participating in the interviews, and 20 stakeholders attending the in-person and virtual public-private workshop. Furthermore, over 200 individuals attended the hybrid meetings.

The consulted sectors included food and beverage, oil & gas, mining, finance, construction, energy, and services. In addition to these sectors, we engaged academia, non-governmental organizations, and the public sector, represented by the Ministry of Environment and Sustainable Development, the Humboldt Institute, and the Financial Superintendency.

The participation of various stakeholders and their expert opinions on the adoption of international sustainability reporting frameworks resulted in the systematization of comments, questions, and recommendations.

We anticipate that this feedback will contribute to enhancing the framework and ensuring its applicability and relevance within the Colombian context.



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The comments provided have been categorized into four groups: LEAP approach, disclosure recommendations, metrics, and resources. These categories encompass the difficulties, challenges, and observations expressed by the consulted stakeholders regarding the adoption of the TNFD.

## LEAP

### Stepwise implementation guide

Based on our consultations, we have identified the importance for companies, irrespective of their size, to have a stepwise implementation guide. This guide should enable them to comprehend the expectations and minimum reporting requirements that align with their size and implementation timeframes.

The guide should aim to offer a concise and practical overview of the expectations of the framework at each stage of implementation. It should establish the minimum information and disclosure requirements and assist companies in initiating the implementation and disclosure process, the guide should also contribute to the alignment of market expectations.

### *Structuring*

Considering the varying capabilities and resources among companies, contingent on their size and regulatory status (such as obtaining an environmental license from the government for their operations), it is crucial to acknowledge the differences in reporting scope and complexity that can be achieved. The stepwise guide should account for these factors and tailor its approach to different company categories. Specific guidance should be provided based on company size (small, medium, and large) and operating context (regulated sectors like mining and energy and unregulated sectors like agriculture and livestock).

### *Timeline*

Furthermore, companies have expressed interest in a recommended timeline that outlines the progressive implementation stages of the LEAP framework. This timeline should specify expected deadlines and define the reporting requirements for each year, providing companies with a clearer understanding of expectations. By structuring their action planning accordingly, companies can allocate the necessary resources to meet the established goals. This timeline will also aid in measuring progress and monitoring advancements in the disclosure and management of nature-related risks and opportunities.

### *Value Chain*

We also recommend that the stepwise implementation guide presents recommendations on approaching operations and the value chain. Providing a better understanding of how to initiate the assessments at various stages of the business, prioritize areas, and determine the extent of the assessment (upstream and downstream).

The importance of addressing the value chain is particularly relevant for specific sectors (e.g., the food sector) in which dependencies on the value chain are significant. However, obtaining information from suppliers can be challenging due to factors such as informality or their smaller



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size. This challenge gets magnified when suppliers operate outside of Colombia, making information collection even more difficult. The guide should provide sector-specific breakdowns to facilitate an understanding of the value chain.

### Locate: Materiality and prioritization

The incorporation of the concept of double materiality is recognized as crucial right from the initial stages of the framework implementation, specifically before the Locate phase. This emerging concept in the industry is gaining traction as companies begin to adopt it. Its inclusion in the TNFD framework would enhance alignment with other reporting standards such as GRI and provide added value by facilitating a comprehensive understanding of nature from a risk and impact perspective.

By incorporating the concept of double materiality from the outset, companies can concentrate their efforts on the most relevant areas in terms of impacts and risks. This empowers them to identify priority locations and activities that have the greatest impact on nature and natural resources. Informed decision-making and efficient allocation of business resources can then be achieved to address critical and pertinent aspects concerning nature's impacts.

Furthermore, in the Locate phase, particularly in L1, it is recommended to clarify that the mapping of the business footprint should focus on priority or material activities. Establishing specific criteria to define these primary activities would complement the materiality exercise and streamline the analysis, allowing for its application across various business contexts.

Moreover, when prioritizing operational sites and value chains, it is advisable to incorporate additional business criteria to advance the assessment of dependencies and impacts.

Finally, an essential variable in geographies characterized by high cultural diversity and deep connections between communities and nature, such as Colombia, is the sociocultural aspect. In Colombia, the relationship between communities and the environment is integral to understanding the contextual significance of locations. Therefore, it is recommended to consider these variables from the initial stages of the exercise, facilitating the integration of community livelihoods and ways of life with the criteria of materiality and ecosystem integrity during the localization phase.

### Evaluate: Identification of dependencies and impacts

In the Evaluate phase, it is advisable to establish support tools and enhance the existing conceptual framework for identifying dependencies, critical impacts, ecosystem services, natural assets, and biomes, among other factors, across different industries.

Additionally, companies have highlighted the importance of establishing methodological guidelines to unify concept definitions, tailored to the specific context of implementing the Framework. This step will facilitate a better understanding and adoption of the guidelines.

Furthermore, it is recommended to develop a decision-making tree to aid in the selection and utilization of the current tools proposed by the TNFD for conducting the analysis. This decision-making tree should consider variables such as company size, location, regulatory status, and sector among others. Its purpose should be to guide companies in identifying the most appropriate tool

and provide a step-by-step approach for its utilization. Given the multitude of tools recommended by TNFD in the Data Catalyst, it is currently challenging for companies to determine the most suitable tool for their specific needs.

### Analyze: Risk and opportunity analysis

During discussions with various organizations, it became apparent that there is a lack of clarity regarding the relationship between the different phases of the LEAP framework (Locate, Evaluate, and Analyze) and how the outcomes of each phase inform the subsequent ones. For instance, there is a need explicitly connect the identification of dependencies and impacts with the analysis of risks and opportunities. To address this, the framework should provide conceptual guidance that distinguishes between risks arising from dependencies and those arising from impacts during the risk identification process.

Furthermore, it was highlighted that the quantification of risks and opportunities poses the greatest challenge in implementing the LEAP framework. This challenge arises due to the intricate interplay of variables within an ecosystem and the absence of established methodologies for such quantification. It is of paramount importance to develop clear guidelines and methodologies for valuing natural capital and financially quantifying risks and opportunities.

### Sector application

We understand that TNFD is currently working on the development of sectoral guidelines. However, we suggest making specific recommendations for certain sectors and project types.

In the energy sector, the Colombian context presents a unique situation as the transmission subsector does not encompass the entire energy generation and distribution value chain. Therefore, the provision of a dedicated guide for electricity transmission would be highly beneficial.

It would be valuable to provide methodologies and explanations on how to apply the LEAP approach to projects involving linear infrastructure, such as power transmission, road construction, and hydrocarbon and gas transportation. These projects often span vast geographic areas and traverse diverse biomes and ecosystems, presenting specific challenges in terms of environmental impact. It is crucial to address these challenges adequately to ensure the protection of nature and minimize associated risks.

Furthermore, the framework needs to include implementation guidelines tailored to small enterprises and ventures. These guidelines should facilitate decision-making processes and serve as pre-feasibility studies or alternatives analysis.

The purpose of these recommendations is to offer clear and practical guidance to companies, enabling them to implement the LEAP framework in a gradual, effective, and realistic manner.



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## Disclosure Recommendations

### The transition between LEAP and TNFD disclosure recommendations

During the development of the methodology, it was recognized by some stakeholders that understanding the connection between LEAP and disclosure recommendations can be challenging. Specifically, it is unclear how the results obtained from the LEAP implementation are incorporated into the recommendations, and what common metrics exist between LEAP and the metrics and targets pillar.

To address this issue, it is suggested that the Framework provides clarification on how the implementation of LEAP is expected to align with the disclosures. Furthermore, there should be a more detailed explanation to improve the understanding of how dependencies related to the disclosure pillars—governance, strategy, risk and impact management, and metrics and targets—are integrated.

By offering this clarification and in-depth explanation, stakeholders will have a better understanding of how the outcomes from LEAP feed into the disclosure process. This will help ensure a smoother transition and enable effective integration of the dependencies associated with the disclosure pillars.

### Definition of a "Minimum Viable Product" or "What good looks like"

The participants in this exercise emphasized the importance of clarity in reporting expectations within the framework's disclosure recommendations. Like the LEAP stepwise guide, there is a need for a clear understanding of reporting expectations over a defined time horizon tailored to the size of companies. This clarity will assist companies in answering the question of "what good looks like" as they embark on their initial TNFD disclosure reports.

For small companies in the early stages of implementation, the report could focus on identifying and assessing the most significant direct environmental and social impacts. This would include describing the actions taken to address these impacts and dependencies, as well as an analysis of associated risks and opportunities. As companies progress in maturity, their reports would be expected to include more quantitative data, key performance indicators, and specific targets for mitigating and managing impacts and dependencies.

Medium-sized companies should be expected to provide a more detailed description of their supply chain, outlining measures taken to promote sustainable practices among their suppliers. They would also need to identify and measure indirect impacts and disclose biodiversity restoration and conservation initiatives aligned with industry best practices.

Large and established companies should provide comprehensive reports covering all key aspects of nature and its relationship to their operations. This includes conducting a detailed analysis of nature-related risks and opportunities and implementing strategies to minimize negative impacts and maximize benefits for nature.

Drawing from the experience of adopting other reporting frameworks, such as the TCFD, it is crucial to provide practical examples and in-depth analysis illustrating how reports are expected to evolve at each stage of the implementation journey. This approach will enable companies to better comprehend expectations and tailor their reporting based on their level of ESG maturity. Ultimately, it will encourage broader and more effective adoption of the framework and improvements in the reports by incorporating more quantitative data, key performance indicators, and specific targets to address and manage impacts.

### Interoperability: Alignment with current and forthcoming reporting frameworks

When adopting new reporting frameworks and standards, companies face financial and logistical challenges that must be taken into consideration. It is important to acknowledge that implementing and adopting new frameworks and standards require significant investments of resources. Therefore, interoperability between the different standards should be considered, to optimize resource allocation by avoiding unnecessary expenses and ensuring efficient and effective use of organizational resources.

The framework should conduct a detailed and focused analysis to identify priority areas and activities that require greater attention in terms of reporting, taking into account materiality and nature-related risks.

Furthermore, the proliferation of reporting frameworks makes it more difficult for companies to obtain high-level management support for the implementation of a new framework and the generation of a new report. To support companies in this regard, it would be highly beneficial for the TNFD to provide documents or materials explaining the benefits of managing nature in financial terms. Additionally, generating elements that enable companies to make internal business cases for adopting the framework would be valuable.

It is recommended that the framework develops a document with guidelines on how to create an integrated report incorporating TCFD and forthcoming reporting frameworks (such as TIFD). This guide should consider that there are issues related to climate adaptation and mitigation that are relevant to climate change and nature and provide guidance on how to address these shared aspects effectively.

## Metrics and targets

### Core metrics

#### Correspondence with other standards

During the consultations, it was observed that the metrics proposed by the TNFD framework are already included in other established reporting standards. To improve the efficiency of reporting practices and prevent the repetition of information, it would be beneficial to provide a clear correspondence between each core metric and other reporting frameworks like TCFD, GRI, SASB, and the SDGs, along with the GBF targets.



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### Metrics related to nature and diversity

Furthermore, it is advisable to assess the relevance of incorporating metrics that directly address nature and biodiversity. Several organizations expressed a lack of added value in including metrics already disclosed in other reporting frameworks in this nature-focused reporting framework. Therefore, it is recommended to introduce metrics that specifically address biodiversity, such as those related to connectivity, protected areas, restoration efforts, umbrella species, and environmental compensation, as the current metrics are focused on environmental impacts.

### Relationship with materiality

While the framework provides clarity regarding core and additional metrics, we suggest incorporating criteria that establish a connection between core metrics and materiality. Like the materiality approach of the SASB framework, which sets a minimum reporting threshold per industry, this approach would enable organizations to focus and prioritize metrics during reporting.

Alternatively, it may be beneficial to redefine the core metrics to ensure their applicability across all sectors. Currently, some core metrics lack relevance in certain sectors as they address specific goals and can be challenging to measure throughout the value chain.

Specifically, there was a lack of understanding regarding the metrics of dependencies and impacts related to resource use and replenishment (C4.1 and C4.2). Several companies classified these metrics as irrelevant due to their unfamiliarity with the concept of high-impact commodities.

As these metrics are categorized as core and their disclosure is strongly recommended by TNFD, it is advisable to provide more information on this concept, enabling organizations to disclose them accurately and conveniently by including a direct link to the list of these commodities.

Furthermore, we recommend implementing guidelines to enhance the understanding of how to quantify or report core metrics on risks and opportunities. Expanding the portfolio of these metrics is crucial, as it represents the real analytical exercise that differentiates TNFD from other reporting frameworks. These metrics pose the greatest difficulties and challenges for companies and require focused attention.

### Additional metrics

One of the most requested proposals from organizations is the inclusion of metrics with a positive focus. This entails metrics related to avoided impacts through the mitigation hierarchy and metrics on the management of negative impacts. By incorporating these metrics, companies will be able to disclose their internal efforts in benefitting nature and showcase the holistic nature of their actions. Providing detailed information on positive impacts will enhance the understanding of companies' positive contributions to nature.

Considering that companies are located in megadiverse regions, it is important to have context-dependent metrics that better reflect the reality of interactions in tropical countries. This regional context should be considered when developing metrics, acknowledging the unique environmental characteristics and challenges of such regions. Additionally, metrics on stakeholder relations should





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recognize the socio-cultural diversity and dynamics of different contexts, fostering a comprehensive understanding of companies' interactions with stakeholders.

Furthermore, it is suggested to propose metrics that facilitate the identification of future scenarios. These metrics could allow for forecasting or modeling scenarios that assess the impact (positive/negative) of the reporting company on nature over time, incorporating time series analysis. By incorporating these forward-looking metrics, the reporting process will become more dynamic, enabling informed decision-making, and promoting proactive actions to address potential impacts on nature.

By including metrics of positive impacts, considering contextual relevance, and introducing future-oriented metrics, the reporting framework will be strengthened. It will encourage companies to demonstrate their commitment to nature conservation and provide a more comprehensive and dynamic understanding of their relationship with the environment.

## Resources

### Navigability

Through the consultations, we identified that there is an opportunity to enhance the navigability or usability of the available resources within the framework. While the Dashboard serves as a valuable resource by providing a step-by-step implementation guide, it would be beneficial to incorporate hyperlinks within each phase that direct users to relevant annexes, technical guides, and methodological resources. This would ensure that users have easy access to specific examples and relevant information, eliminating the need to search through a separate knowledge bank and reducing any potential confusion.

Additionally, the current filter tool for sectors and biomes is useful, but it can generate multiple documents and tools without providing detailed and specific filtering options. To address this, it is recommended to improve the search engines by making them more precise and intuitive. This could involve refining the filtering options to allow users to find the desired information more effectively and efficiently. By streamlining the search process, users will be able to access the specific resources they need, enhancing the overall user experience and facilitating the implementation of the framework.

### Annexes

Regarding annexes, it is evident in several of them that the numbering and the names are not clear and can cause confusion for companies. In specific cases, the reference to annexes 1, 2, and 3 of response metrics should be specified as annexes within annex 4.3 called "Disclosure Metrics Annexes."

### Case studies

For case studies, companies request that the TNFD consolidates and makes available more detailed case studies than the ones currently provided. They find it useful to have access to the results of the





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pilots implemented by organizations in the earlier phases before the final publication of the framework.

### Tools

In terms of tools, companies that have conducted pilots found that the information provided by the international tools proposed by TNFD does not align with local/national tools, leading to difficulties and inconsistencies in the analysis due to the low level of detail. Including local sources and databases in TNFD's data catalyst as a bibliography of more regional resources (specifically for South America) would facilitate access to detailed geographic information, thereby enhancing the analysis of value chains.

### Support

It is important to define the support provided by TNFD, particularly during the initial years of framework implementation. Given that further adjustments are expected as more companies adopt the framework, ongoing support from TNFD would be beneficial.

It's important to define the support of TNFD, at least during the first years of implementation of the framework, which is expected to undergo several additional adjustments once it starts to be used by more companies.

### Language

Lastly, it is of utmost importance to have these resources translated into other languages, especially into Spanish, as it is the primary language used in most of the territory where the framework analysis will be focused. Translating all the resources will enhance the understanding among organizations, their suppliers, and other stakeholders.

On behalf of the National Center of Water and Biodiversity and the participating organizations, we express our gratitude for your attention and consideration of these comments. If you find it relevant to further delve into the suggestions and feedback provided in this document, please contact us at [dmoncada@andi.com.co](mailto:dmoncada@andi.com.co).

We are confident that our contributions will strengthen the implementation of the TNFD framework in Colombia and facilitate its adoption once v1.0 is released.

Sincerely,

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