June 1, 2023
Japanese Bankers Association

JBA comments on the TNFD Nature-related Risk & Opportunity Management and Disclosure Framework Beta v0.4

Questions	Comments
General Feedback	
Draft Disclosure Recommendations	
How could we improve the TNFD Draft Disclosure Recommendations?	Although the TNFD framework groups together the disclosure of risk management and impact management, it should be recognised that these are very different concepts that require different metrics and different approaches to materiality. We believe that conflating or linking the two will create confusion about the specific goals and objectives that an entity seeks to achieve and make it difficult for investors to identify information that is useful for making decisions, for regulators to adopt disclosures that are appropriate to their jurisdiction, and for issuers to actually prepare disclosures. This is because risk management is concerned with a company's ability to identify, assess, and mitigate potential threats to financial performance arising from nature-related risks, whereas impact refers to the positive or negative effects of a company's operations on the environment and ecosystems. In light of this difference, we suggest that TNFD consider specifying that disclosure recommendations regarding governance and nature-related risk management should focus on materiality, which we believe is different from the disclosure of impact.
Specific feedback on v0.4 of the TNFD beta framework	
Location prioritisation	
a) Do you agree with the revised criteria to help organisations identify priority locations for L3 of the LEAP approach and disclosure recommendation Strategy D?	No
＜If the answer to a) was "No" ＞ b) How should the location prioritisation criteria be changed?	We agree that "integrity" is included in the criteria for location prioritisation. On the other hand, the Guidance should explain the level of integrity degradation of ecosystems to be prioritised and the relationship between business and the degradation of relevant ecosystems to assess its importance.
Disclosure metrics	
b) From the 14 core global disclosure metrics, are there any that you think are not relevant to all sectors or possible for companies to report? Please specify which.	None in particular. The concept of core global disclosure metrics is presented in this version, and we believe this explanation is sufficient to confirm the extent to which a company's strategy is resilient. On the other hand, in general there is no explanation of how to perform disclosure in concrete terms, and it is left to each company to decide. From the perspective of how companies' efforts in each sector can be compared and integrated to contribute to the 2030 targets of the Kunming-Montreal Global Biodiversity Framework and ensure consistency, more specific guidance on disclosure methods is needed.
Additional Guidance by Sector and Biome	
How helpful is the additional guidance for sectors and biomes provided in this release? What changes would you like to see to make this additional guidance more useful?	<Annex 4.4: Additional draft disclosure guidance for financial institutions - Strategy> - We believe that it is difficult for financial institutions to develop investment and financing policies that include biomes, which vary from location to location. - When conducting a scenario analysis related to natural capital, financial institutions are required to disclose how it is integrated with or deviates from the scenario analysis and stress tests conducted in a climate-related context. We understand that taking both climate change and nature into account and making integrated decisions in the future is consistent with requiring an explanation of the relationship with climate in the recommended disclosures. We recognise that the difference with scenario analysis in climate change is location, which is a more bottom-up approach at a stage when trading partners are not making progress in disclosure. Please explain how climate-related scenario analysis and natural capital scenario analysis can be developed into an integrated approach.
	<Annex 4.4: Additional draft disclosure guidance for financial institutions - Risk and Impact Management> Financial institutions' involvement with cases brought to the NCP under the OECD Guidelines for Multinational Enterprises is proposed as Recommended Disclosure D of Risk and Impact Management, but we believe this is inappropriate for the following reasons: - Cases in which the NCP mediates a dialogue can not be disclosed during the mediation period according to the confidentiality agreement, and after mediation ends the NCP discloses its background and views. Therefore, it is not possible for companies to disclose information in a timely and appropriate manner and it is inappropriate to include this in the TNFD recommendations. - Since the OECD Guidelines for Multinational Enterprises are not limited to financial institutions, it is inappropriate to include them only in additional guidance for financial institutions.
Target setting	
Is the approach TNFD has take to target setting appropriate? How could the draft guidance on target setting be improved?	In Annex 4.8, the concept of target setting was organised and made easier to understand by presenting 3 types of targets (nature interface targets, operational targets, business model targets). On the other hand, it is unclear whether science-based target setting, which is regarded as a key point of target values and trajectory setting, is possible in operational targets and business model targets. More careful guidance is needed. In addition, although annual reporting is recommended, it might be difficult to detect changes in some indicators on a year-to-year basis. Therefore, it is better to present the idea of indicators that do not require annual reporting. It is recommended for targets to be updated at least every five years, but another idea would be to align the timing of such updates with updates to the company's mid-term management plan, etc. A fixed term could undermine a company's initiative and ingenuity.