

JBA comments on the TNFD Nature-related Risk & Opportunity Management and Disclosure Framework Beta v0.1

| Questions | Comments |
|---|---|
| General | |
| How might we improve the TNFD Understanding Nature component? | - |
| How might we improve the TNFD Draft Disclosure Recommendations? | <p>Efforts that are related to natural capital are important for global sustainability. We hope that the TNFD framework will promote the consideration of nature-related risks and opportunities by companies and financial institutions.</p> <p>We understand and agree that the direction of disclosure will be consistent with the TCFD as well as the IFRS Sustainability Disclosure Standards to be formulated in the future. However, although the definitions of natural components have been organized in the framework, there are many issues that need to be considered, such as financial impact and mutual connections.</p> <p>In addition, financial institutions' approach to natural capital is mostly through their clients. It is necessary for financial institutions to consider the disclosure by an investee/borrower in order to understand the risks and opportunities related to the impact that their corporate activities will have on nature.</p> <p>Furthermore, it is also necessary to establish methodologies and ensure comparability, and to ensure feasibility in disclosure.</p> |
| How might we improve the TNFD LEAP Approach? | - |
| Which additional guidance would be valuable to you? | <p>We look forward to guidance in the following areas, including topics that are listed as priority areas for further framework development (scenario development, scope of disclosure, sector-specific guidance).</p> <p>(1) In nature-related areas, we are concerned that actions by organisations might not be effective because there are no clear goals like net zero 2050 and interim targets for 2030 in climate change. Guidance is needed for setting goals and actions.</p> <p>(2) Based on existing databases, a risk assessment was conducted in several stages, from low risk to high risk, for each country and region by biome/ecosystem service and by sector in order to select the sectors to be prioritized. It is easy to use when viewed in a list format. It would be a considerable burden for an organisation to check every recommended database and aggregate them on their own. In addition, since the degree of risk changes over time, ideally this data should be reviewed regularly if possible.</p> <p>(3) We would like you to provide quantitative performance indicators of impact on nature, specific examples of tools that can be used for that purpose, and explanations of how to use such tools. (Example: Indicator used by BFFI (Biodiversity Footprint Financial Institutions): PDF. m³.yr, Tool: ReCiPe, etc.).</p> <p>(4) It would be very helpful to have additional concrete examples and case studies regarding guidance and scenarios for each sector as we consider our in-house approach. (Examples: Efforts that financial institutions should take to deal with nature-related risks, specific examples of matters that should be sought from their clients, etc.).</p> <p>(5) It would be appreciated if you could provide additional guidance, including good practices, regarding "dynamic materiality" over time with examples of scenario analysis that is suitable to this materiality. According to the beta version (v0.1), the TNFD recommends that organisations consider medium- to long-term timeframes, as disclosing risks and opportunities across multiple time horizons requires organisations to consider a broader set of dependencies and impacts, and some that are not material in the short-term may lead to additional risks and opportunities that are material for enterprise value over time. It also states that the complex interplay of dependencies and impacts over multiple time periods can result in earnings and cashflow vulnerability that transmits into a broader range of financial risks, including market, credit and liquidity risks.</p> |

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| How willing are you (from 1-10) to recommend the TNFD Disclosure Recommendations to others. | - |
| How willing are you (from 1-10) to recommend the TNFD LEAP Approach - to others. | - |
| What other recommendations / learnings / insights do you have for TNFD? | - |
| Understanding Nature | |
| The scope for what constitutes 'nature' is clear. | Neutral |
| Comments | It is difficult to determine the scope of the nature-related definitions that have been provided. We believe that this will result in differences among companies, and therefore it is necessary to make the definitions more concrete and uniform around the world. |
| The definition of nature-related impacts is clear. | Neutral |
| Comments | <p>Figure 13: Impact pathway on page 32 shows that (1) impact drivers lead to (2) changes in natural capital, which result in (3) impacts. Although we understand the concept, the word "impact" (not affect) is also used to describe how these changes affect stakeholders (in the 3rd step), which makes the term difficult to understand because it isn't used uniformly.</p> <p>We understand the definition of "impact" to be as follows.</p> <ul style="list-style-type: none"> - In the TNFD, "impacts" refer to "changes in the state of nature", as defined in Annex 1. - As defined in Annex 1, "impact pathway" describes how an (1) "impact driver" results in (2) changes in natural capital, and (3) how these changes affect stakeholders. <p>"Changes in natural capital" (in this second step) is synonymous with "Impact".</p> |
| The definition of nature-related dependencies is clear. | Disagree |
| Comments | If the need for disclosure changes depending on the scale of a dependency, we would like you to provide more specific criteria and standards regarding dependencies. |
| The definition of nature-related risks is clear. | Neutral |

| Questions | Comments |
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| Comments | <p>The definition of nature-related risks has been clarified as "potential threats posed to an organisation linked to its and other organisations' dependencies on nature and nature impacts". On the other hand, the beta version (v0.1) says that nature-related events spread from physical risk, transition risk and systemic risk to financial risk. However, it is unclear if this is the case for all nature-related risks. The definition might change depending on how many events are included in the scope of nature-related risks, so careful consideration is required in the future. For example, the IPBES Global Assessment Report on Biodiversity and Ecosystem Services mentions viral infectious diseases as a biodiversity risk. Further consideration is required regarding how this is reflected in physical risk and transition risk.</p> <p>In addition, nature loss is defined as the "loss and/or decline of the state of nature". We would like you to clarify the definition of the "state of nature".</p> |
| The definition of nature-related risks is clear. | - |
| Comments | - |
| The definitions provided support for your evaluation of nature-related impacts and dependencies. | - |
| Comments | - |
| The definitions provided support your assessment of nature-related risks and opportunities. | Neutral |
| Comments | <p>Definitions and events related to nature have been given shape to some extent. However, the definitions/events related to nature are too broad in the beta version (v0.1), making it very difficult to quantify nature dependencies and impacts on nature. Further consideration is needed to assess risk.</p> |
| The structure provided is useful to organize your thinking around nature. | - |
| Comments | - |
| What additional concepts - definitions could support your assessment of nature-related risks and opportunities? | <p>Indicators that are targets for society (such as the 1.5 degree and 2 degree targets related to climate change) need to be defined concretely for scenario development in risk assessment.</p> |
| The relationship between 'climate' and nature across the framework is clear and coherent. | - |
| Comments | - |
| TNFD Disclosure Recommendations | |

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| Overall, the disclosure recommendations are clear and coherent. | - |
| Comments | - |
| The disclosure recommendations for the Governance pillar are clear and coherent. | - |
| Comments | - |
| The disclosure recommendations for the Strategy pillar are clear and coherent. | - |
| Comments | - |
| The disclosure recommendations for the Risk Management pillar are clear and coherent. | Neutral |
| Comments | We understand that the processes and risk management methods for identifying, assessing and managing risks are recommended disclosures. However, although it is necessary to measure risk in order to assess risk, it is very difficult to actually measure risk because the methods are not specified. Further consideration is necessary. |
| The disclosure recommendations for the Metrics & Targets pillar are clear and coherent. | - |
| Comments | - |
| The disclosure recommendations are relevant to our business model. | Neutral |
| Comments | Regarding strategy d, it is difficult for a financial institution to distinguish individual ecosystems/biomes and regions at the level of the client's business establishment. For example, it could be a large region, such as at the national level. The required granularity is unclear, so we would like you to clarify. |
| The disclosure recommendations are relevant to our current management maturity level in relation to nature-related risks and opportunities. | - |
| Comments | - |
| The disclosure recommendations fit well with our current disclosures on GHG and sustainability overall. | - |

| Questions | Comments |
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| Comments | - |
| The level of resources required for implementation is appropriate. | - |
| Comments | - |
| The level of time commitment required for implementation is appropriate. | Disagree |
| Comments | Since no scenario development or methods for measuring key indicators have been established at this time, it will probably be very difficult to provide complete disclosure in five years with the aim of reporting the data in an annual financial report. We would like you to consider the timeframe based on the progress on these issues. |
| Is your organisation currently using any of the following management frameworks? | - |
| The disclosure recommendations links well to my organisation's current reporting practices and approach. | Neutral |
| Comments | "What the organisation views as potentially material and is disclosed" is mentioned as a method of clarifying the scope of disclosure, and it is good to leave the decision to the disclosing body. However, decisions might differ from organisation to organisation, so we would like you to provide some degree of definitions and standards. |
| Should the disclosure recommendations provide linkages to additional disclosure standards used by your organization? | - |
| Comments | - |
| The linkages provided to existing standards / metrics are relevant and useful. | - |
| TNFD LEAP Approach – a management framework for nature-related risks and opportunities | |
| The LEAP Approach was applicable and useful to our business. | Neutral |
| Comments | Regarding disclosure for financial institutions, we would like you to provide a more specific description of the activities that have a direct effect on nature (corresponding to Scope 1 and 2 for decarbonisation). Is it limited to water consumed by financial institutions (employee cafeterias, monuments that use water, toilets, etc.)? For financial institutions, is the focus on measures and disclosure equivalent to Scope 3 for decarbonisation? |

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| The LEAP Approach is relevant to our business model. | - |
| Comments | - |
| The LEAP Approach is relevant to our current management maturity level in relation to nature-related risks and opportunities. | - |
| Comments | - |
| The disclosure recommendations link well to my organisation's current reporting practices and approach. | - |
| Comments | - |
| Is your organisation currently using any of the following management frameworks? | - |
| The LEAP Approach is applicable based on the level of aggregation required for my organization. | - |
| Comments | - |
| Should the disclosure recommendations provide linkages to additional disclosure standards used by your organization? | - |
| If Yes (which?) | - |
| The linkages provided to existing approaches / management frameworks are relevant and useful. | - |
| Comments | - |
| The level of resources required for implementation is appropriate. | - |
| Comments | - |
| The level of time commitment required for implementation is appropriate. | - |
| Comments | - |
| The guidance supported us in scoping our assessment. | - |

| Questions | Comments |
|---|---|
| Comments | - |
| The guidance supported for the Locate phase is relevant and appropriate. | - |
| Comments | - |
| The guidance helped us better understand and evaluate impacts. | - |
| Comments | - |
| The guidance helped us better understand and evaluate dependencies. | - |
| Comments | - |
| The guidance supported us to prioritize impacts. | - |
| Comments | - |
| The guidance supported us to prioritize dependencies. | - |
| Comments | - |
| The guidance supported us to better understand and integrate data on the state of nature / pressures on nature (thresholds & allocations) | - |
| Comments | - |
| The guidance supported us to better define and prioritize nature-related risks and opportunities. | Disagree |
| Comments | In the beta version (v0.1), since definitions/events related to nature have been given shape accordingly, we believe that the definitions are useful in and of themselves. On the other hand, the scope is too broad and no method of risk assessment has been established, making it difficult to use a common set of indicators for comparison and to prioritise. |
| The guidance enhanced our capacity to translate nature-related risks into financial risks. | Disagree |

| Questions | Comments |
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| Comments | In the beta version (v0.1), we understand the concept of using physical risk and transition risk to convert nature-related risk into financial risk. However, it is necessary to confirm the details of what kind of methodologies and models are actually used for conversion. |
| The guidance supported us in identifying new nature-related risks. | Yes |
| Comments | Concrete definitions/events related to nature are provided in the beta version (v0.1), which is useful for identifying risk. |
| The guidance supported us in identifying new nature-related opportunities. | - |
| Comments | - |
| The guidance enhanced our capacity to act on nature-related opportunities. | - |
| Comments | - |
| The guidance supported in evolving our business model and strategic thinking, away from nature negative outcomes and towards nature positive ones. | Neutral |
| Comments | For financial institutions (especially banks), their own contribution to climate change is limited, such as reducing their GHG emissions (Scope 1 + 2), and the main objective for financial institutions is to create a nature-positive finance flow. On the other hand, given that transition finance in climate change is difficult to define, we assume that it is difficult to define "nature positive finance". It is necessary to create consensus about "nature positive finance" among stakeholders. If each company defines it differently, there are concerns about "washing". |
| The guidance supported in shifting resource allocation. | - |
| Comments | - |
| The guidance supported us in preparing for disclosures. | - |
| Comments | - |

| Questions | Comments |
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| The guidance supported us to better engage with key stakeholders around nature-related issues. | - |
| Comments | - |
| The guidance supported in evolving our collaboration with peers and unlikely allies, around attaining nature positive outcomes. | - |
| Comments | - |
| Metrics | |
| The framework integrates well with metrics that are currently being used by my organisation | - |
| Comments | - |
| Metrics included are clear, relevant and applicable | - |
| Comments | - |
| The metrics provided help us enhance our management approach | - |
| Comments | - |
| Are there any specific metrics or metric sets (i.e. standards) that should be included? | - |
| Comments | - |
| Targets | |
| The framework integrates well with targets that are currently being used by my organisation. | Disagree |
| Comments | At present, it is difficult to understand what to ask the investee/borrower during engagement, and a clarification of the goals to be set would be useful. Should we simply restrict corporate activities that result in damage to biodiversity? In that case, is consideration being given to a timeframe, such as for decarbonisation? We believe that concrete verification and consideration will proceed once specific milestones, standard roadmaps, and scenarios (such as "2050 Carbon Neutral" for decarbonisation) are established. |
| Metrics included are clear, relevant and applicable. | - |

| Questions | Comments |
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| Comments | - |
| The metrics provided help us enhance our management approach. | - |
| Comments | - |
| Are there any specific metrics or metric sets (i.e. standards) that should be included? | - |
| Comments | - |
| Use Cases | |
| Use cases provided are useful for my organisation to identify, prioritize and manage nature-related risks and opportunities. | - |
| Comments | - |
| Data on nature | |
| The guidance provided on data sources is useful for my organisation in the assessment and prioritization of nature-related risks | - |
| Comments | - |
| The guidance provided on data sources allowed us to better understand the current state of and pressures on natural capital. | - |
| Comments | - |
| Data on the state of nature and pressures on nature was available to perform the assessment. | - |
| Comments | - |
| Tools | |
| Tools referred are useful for my organisation in the assessment and management of nature-related risks and opportunities. | - |
| Comments | - |