

JBA comments on supplemental guidance “Nature in Net-zero Transition Plans” workstream consultation paper
by the Glasgow Financial Alliance for Net Zero (GFANZ)

Overview of the comments

The JBA supports the GFANZ’s efforts to develop a supplemental guidance on the use of nature-related levers. We agree with the general idea that there is no net-zero without nature and importance of including nature in net-zero transition plans. However, given the challenges and difficulties we currently face such as the lack of data and global consensus on nature or the complexity and diversity of measurement and management methods compared to climate change, we call for the need for further development and consideration, and an approach that take into account practicality.

#	Questions	Comments
Part A : Context (p1-17)		
1	This report focuses on the use of nature-related levers in support of net-zero transition plans specifically for financial institutions, but with insights for real-economy companies. Within that remit, do you agree that there is no net zero without nature in the context of an entity’s commitment to net zero?	Yes
2	<p>Natural climate mitigation: a subset of natural climate solutions, which are place-based activities and include the protection, conservation, restoration, and improved use and management of ecosystems that focus on climate mitigation services, i.e., reducing or avoiding GHG emissions and/or increasing carbon storage.</p> <p>Natural climate enablers: non-place-based activities, such as production of inputs to natural climate mitigation or low-carbon demand-side alternatives, that indirectly affect the management of ecosystems, biomes, natural commodities, and ecosystem services in support of reduction of nature GHG emissions or increasing nature GHG sinks.</p>	Sufficient

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	Are the definitions of "natural climate mitigation" and "natural climate enablers" sufficient for your understanding and application of the terms?	
4	<p>The paper lists five reasons for including nature in net-zero transition plans. They are:</p> <ol style="list-style-type: none"> 1. No net zero without nature 2. Cost effectiveness 3. Improving resilience 4. Increasing efficiency and effectiveness in strategic management 5. Avoiding harm to nature. <p>Do you agree with the proposed reasons for including nature in net-zero transition plans?</p>	No
5	If you answered no to the previous question, what reasons would you include or exclude?	<ul style="list-style-type: none"> • We fully agree with the general idea that nature-conscious measures are necessary for climate change mitigation. • However, the specific detail of strategic management in “increasing efficiency and effectiveness in strategic management,” which is listed as one of the reasons, is unclear. We consider a reason that more relates to practice is needed. • From a practical perspective, while we understand that nature is strongly related to climate change, we recognize that it is difficult for a financial institution to develop a transition plan without a clear goal, like the net-zero (or below 1.5°C) target we have in climate change. • While transition risks in climate change are foreseeable to some extent, due to a lack of clarity and foreseeability of transition risks associated with nature, transition plans do not necessarily enhance the efficiency and effectiveness of strategic management, but rather may lead to difficulties and inefficiencies.
6	Please provide any additional feedback on Part A of the consultation.	<ul style="list-style-type: none"> • We generally agree that nature shall be included in net zero transition plans, as there are synergies between climate and nature. On the other hand, methods for identifying and managing nature are often based on qualitative approaches, and

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		<p>even if they could be measured quantitatively, they are likely to be complex and diverse, as they cannot be measured by a single metric such as CO2 equivalent (CO2e) for climate impacts.</p> <ul style="list-style-type: none"> • It is also considered to be difficult to measure the contribution of natural climate enablers which have an indirect effect. • Therefore, from the perspective of the practicality for financial institutions, providing some lists of categorized examples and measurement methods would facilitate the understanding of GFANZ's integration of climate and nature.

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Part B : Voluntary Supplemental Guidance (p18-65)		
The Foundation theme is where the financial institution outlines its approach to net-zero implementation and priorities among the four key transition financing strategies.		
7	<p>Supplemental guidance summary: Use of nature-related levers, where relevant to the individual financial institution, should be articulated in the NZTP objectives and priorities, corporate statement and embedded in the institution's application of the four key transition financing strategies.</p> <p>Is the proposed guidance in component Objectives and priorities sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan?</p>	Somewhat Sufficient

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8	<p>Please refer to Table1 in the Nature in NZTP report</p> <p>Are the explanations in Table 1 (Table 1 illustrative examples of potential nature-related levers under the four key transition financing strategies) sufficient for understanding how nature-related levers can support the four key transition financing strategies?</p>	Not Sufficient
9	<p>Managed phaseout is financing or enabling the accelerated early retirement of high-emitting physical assets.</p> <p>Do you agree that high-emitting nature activities such as deforestation could be considered for Managed phaseout?</p>	No
10	What other high-emitting nature actions could be candidates?	<ul style="list-style-type: none"> • Agriculture or farming conducted with extensive deforestation and burning.
11	Please provide any additional feedback on the Foundations theme.	<ul style="list-style-type: none"> • Since there is a slight deviation between the sectors that are the focus of transition

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		<p>planning in climate change and those that are strongly related to nature, there is no clear picture of how nature-related levers relate to climate change, and there is a misalignment with the sectors that need transition finance.</p> <ul style="list-style-type: none"> • Also, because financial institutions themselves have few direct interactions with nature-related levers and those levers vary according to client sectors or companies, making it difficult to set integrated goals especially compared to climate. • While it is possible to set targets such as an amount of financial support for nature-related levers, it is unclear whether the impact on climate change can be measured because of such reasons. • We can understand the concept of Table 1 to a certain extent. However, as mentioned above, we are unsure how much they relate and contribute can be measured. We believe that more concrete examples would facilitate the understanding. • In addition, since there are no pathways or GHG emission reduction (avoided emissions) metrics and targets for managed phase-out, it is unclear how financial institutions should respond to this issue. It is also unclear how to identify and respond to sectors and assets that are amenable to managed phase-out. • For the forest industries, appropriate logging is a crucial activity. Rather than phasing out logging entirely, a focus should be on phasing out inappropriate logging. • While forests do often receive significant attention because its connectivity with climate change is easily understood, from the perspective of nature, water is also important. There is a concern that when financial institutions attempt to integrate nature into their Net Zero Transition Plans (NZTP), the water sector may be overlooked.

The **Implementation Strategy** theme focuses on the internal processes that a financial institution uses to decide and manage financing opportunities. These processes are focused on the clients and portfolio companies and are found in:

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	<p>1 Products and services - the financial vehicles and support services to a client or portfolio company</p> <p>2 Activities and decision-making - the tools, processes, committees and decision processes leading up to the financing or delivery of services and ongoing management</p> <p>3 Policies and conditions - financial institution corporate policies, specifically on high-emitting activities found in the portfolio (rather than on general financing or risk policies)</p>	
12	<p>Supplemental guidance summary:</p> <p>Products and services: Existing and new products and services should be assessed as to whether and how they can support nature-related levers through the key aspects of product design.</p> <p>Activities and decision-making: Financial institutions should consider adjusting analysis and decision-making processes to account for the distinct characteristics of nature-related levers. This may be helped by a portfolio review for nature-related lever opportunities. The processes should include identification of synergies and trade-offs, and consider and document mitigation strategies.</p> <p>Policies and conditions: Financial institutions should consider setting their own policies, using the six elements of a net-zero policy, where there are opportunities to implement nature-related levers.</p> <p>Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Implementation Strategy?</p>	<p>Products and services: Not Sufficient</p> <p>Activities and decision-making: Not Sufficient</p> <p>Policies and conditions: Not Sufficient</p>
13	<p>If you answered "not sufficient" or "somewhat sufficient" to the previous question for any of the three components, what changes or additions should be made?</p>	<p>Products and services:</p> <ul style="list-style-type: none"> • It is unclear to what extent the direct effects of nature-related products and services on GHG emissions reductions can be measured quantitatively, as there are challenges, particularly in terms of data availability, and it is unclear whether a solid qualitative assessment can be performed. • Also, unlike climate change, which can be unified under a single measure such as GHG emissions, nature involves numerous indicators, making it challenging to

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		<p>secure and develop specialized personnel within the company.</p> <ul style="list-style-type: none"> • It is conceptually understandable but at this point, not practical. <p>Activities and decision-making:</p> <ul style="list-style-type: none"> • Similarly to products and services, it is currently difficult to incorporate a quantitative assessment of the trade-offs between nature itself and climate change into decision-making. • Additionally, nature is highly regional, requiring experts in both sector and region, which increases the difficulty. It is desirable for each GFANZ regional branch to specify more concrete nature-related levers, specific indicators, and effects to undertake. <p>Policies and conditions:</p> <ul style="list-style-type: none"> • The policy of not engaging in activities that have a social consensus of being harmful to nature, such as illegal activities or those with significant environmental impacts (e.g. palm oil, inefficient coal power), has already been reflected in company policies due to increasing stakeholder demands. It is unclear whether policies will be set just for nature-related levers aiming for net zero. • In any case, fundamentally, decisions on where financial institutions cannot provide loans or services should not be based on a one-size-fits-all approach but should include decisions that take into account the specific circumstances of each financial institution.
14	<p>Please refer to Table 2 in the Nature in NZTP report</p> <p>Are there any considerations for product design that are particular to nature-related activities/companies/technologies that could be reflected in Table 2 (Table 2 Nature-related considerations in net-zero product design) ?</p>	<ul style="list-style-type: none"> • In financial services contributing to decarbonization, the following should be considered: <ul style="list-style-type: none"> - Minimize potential trade-off between decarbonization and nature - Effective use or availability of nature-related data
15	Activities and decision-making: How can local knowledge be best accessed and	<ul style="list-style-type: none"> • As natural capital is highly regional and specific, it is different from climate change

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	leveraged to support nature considerations in financial decision-making?	<p>which financial institutions can make decisions based on a universal metric, such as GHG emissions.</p> <ul style="list-style-type: none"> In financial decision-making that contributes to decarbonization, it is important to obtain region-specific and/or nature-related data (such as forests, vegetation, water, and soil) from external databases and incorporate this information into the credit evaluation processes.
16	<p>Activities and decision-making: The paper considers that climate mitigation decisions may have impacts on nature in a positive (synergy) or negative (trade-off) manner. The guidance focuses on financial institutions identifying the synergies and trade-offs and documenting the considerations taken in the decision-making process. The paper acknowledges that assessment of the type and magnitude of the impact on nature will depend on geographic, social, and other contextual parameters that are out of the scope of this paper.</p> <p>The paper focuses on guidelines for the assessment of the synergy or trade-off. What other parameters would support a credible assessment?</p>	<ul style="list-style-type: none"> If there is a trade-off between nature and climate, we recognize that climate mitigation is often inevitably a priority, given the commitment to climate change that has been made by financial institutions. We would like to know how much risk is involved if climate is prioritized when there is a trade-off and would appreciate parameters regarding those risks.
17	<p>The aim of the hypothetical case study is to show how climate- and nature-related synergies and / or trade-offs might be identified and considered when assessing investments within a net-zero transition framework. It highlights questions a financial institution could ask in analyzing synergies and trade-offs. The focus is on the process rather than on quantification.</p> <p>Does the case study's portrayal of nature-focused synergy and trade-off analyses within the due diligence process seem feasible and / or reasonable based on existing processes and experiences?</p>	No

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18	Do you wish to suggest any changes to the case study to make it more feasible to financial professionals, show the potential processes of identifying and assessing synergies and trade-offs, and/or demonstrate how to account for climate and nature at the same time?	<ul style="list-style-type: none"> It would be more helpful if there are detailed examples of the investment and loan screening when considering synergies and trade-offs.
19	Policies and conditions: Are there any nature issues particularly relevant to the net-zero transition that need policies of their own (like deforestation)? If you know of any publicly available policies on nature-related issues in the net-zero context, please suggest examples.	<ul style="list-style-type: none"> We recognize that what is addressed in existing policies, such as forests and large farmlands, is sufficient.
20	Please provide any additional feedback on the Implementation Strategy theme.	<ul style="list-style-type: none"> Natural capital is highly regional and specific, it is important for financial institutions to have access to nature-related data in the regions where individual financial services have an impact. However, since there are discrepancies in data granularity across different countries and jurisdictions, a unified global data framework is necessary. In such a situation, it seems realistic to adopt a phased strategy, such as partially integrating available nature-related information with net-zero transition plans.
<p>The Engagement Strategy theme is divided into three groups of engagement targets:</p> <p>1 Clients and portfolio companies (or value chain for real-economy companies) - entities with whom the financial institution has a business relationship</p> <p>2 Industry - also includes academia, NGOs, civil society</p> <p>3 Government and public policy</p>		
21	<p>Supplemental guidance summary:</p> <p>Clients and portfolio companies: Engagement should be augmented to include a two-way flow of information, advising and supporting clients, portfolio companies, the value chain and connected groups about nature-related levers, contribution to transition plans, and synergies and trade-offs.</p> <p>Industry: Engagement with relevant groups may include industry peers, industry-related bodies, academia, nongovernmental organizations and local groups and may be on an individual, landscape, or jurisdictional basis in order to collaborate, gather, or develop pertinent data, tools or methodologies.</p>	<p>Clients and portfolio companies : Somewhat Sufficient</p> <p>Industry: Sufficient</p> <p>Government and public sector : Sufficient</p>

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	<p>Government and public sector: Engagement should consider regional and local governments, including governing structures of IP&LC, and proactively include nature-related topics in support of net-zero commitments.</p> <p>Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Engagement Strategy?</p>	
22	<p>If you answered "not sufficient" or "somewhat sufficient" to the previous question for any of the three components, what changes or additions should be made?</p>	<p>Clients and portfolio companies :</p> <ul style="list-style-type: none"> • At this point, there is a need for efforts to foster conversation and common understanding before promoting proper engagement in both climate and nature transition planning, as not many companies are necessarily able to discuss the two issues in common understanding. • In addition, financial institutions themselves do not always have sufficient knowledge of the trade-offs between nature and climate and solutions to resolve them, and it is not easy for financial institutions to secure and train specialized human resources since varieties of metrics should be considered unlike climate. • Therefore, it is difficult to request clients to necessarily integrate climate and nature and it would be practical to limit to the level of a non-binding target as a starting point. • Considering these challenges and restrictions, for example, it may be helpful if there is a description of priorities in promoting engagement.
24	<p>Clients and portfolio companies: The paper explicitly calls out Indigenous Peoples as an important group for engagement and summarizes the reasons for inclusion and importance of the social dimension. It also acknowledges that engagement with Indigenous Peoples may be carried out by the real-economy companies. This paper relies on experts groups that focus on this issue.</p>	<ul style="list-style-type: none"> • As Indigenous peoples are broadly defined, the Equator Principles (https://equator-principles.com/) and the IFC Performance Standards (https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards) definitions should also be referred to for clarifying the definition. • The scope of responsibility of financial institutions should also be clarified in accordance with the Guiding Principles for Business and Human Rights (each form of engagement should be addressed according to whether they have caused,

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	Given the limitations of this work, what would be critical additions to the discussion on Indigenous Peoples that would help financial institutions support this type of engagement at the real-economy level?	contributed, or are directly linked. In the case of a financial relationship, for example, encourage business operators to engage with indigenous peoples).
26	Government and public sector: What are other important engagement topics on nature that could be considered in the context of supporting the net-zero transition?	<ul style="list-style-type: none"> • In the context of climate change, green and transition technologies are often exemplified for each jurisdiction. It is necessary to list and indicate desirable nature-related levers at least on a national level as well. • In a situation where the reduction effect of GHG emissions cannot be clearly measured, nature-related activities focused on reducing GHG emissions require consensus in each region.
<p>While climate metrics and targets will be the dominant focus of an NZTP, the proposed guidance on nature in net-zero transition plans under the Metrics and Targets theme focuses on a selection. The section includes:</p> <p>A reasons for selecting nature-related metrics</p> <p>B guidance on selection of nature-related metrics (including carbon credits)</p> <p>C tool, methodology, framework resources</p>		
28	<p>Metrics and Targets - Supplemental guidance summary: Financial institutions should consider measuring and monitoring complementary nature-related metrics and targets alongside climate ones. This also includes monitoring where nature-related credits are used. A number of tools and methodologies are noted.</p> <p>Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Metrics and Targets?</p>	Not Sufficient
30	If you answered "not sufficient" or "somewhat sufficient" to the previous question, what changes or additions should be made?	<ul style="list-style-type: none"> • We believe that examples of specific metrics and target are needed. Table 5, while specific, is very limited. Table 6 lists various existing tools, but we believe that a

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		<p>tool internationally recognized and standardized is needed.</p> <ul style="list-style-type: none"> Nature-related metrics and targets cannot be discussed at the same level as those related to climate until internationally agreed protocols are established.
31	The consultation paper suggests there are reasons for selecting complementary nature-related metrics and targets and for monitoring them alongside climate metrics. Do you agree with the benefits of complementary nature-related metrics and targets as outlined in the consultation paper?	Yes
32	Please provide any additional feedback on the Metrics and Target theme.	<ul style="list-style-type: none"> We agree on the significance of nature-related indicators and targets, but the lack of global consensus on the methodology for developing these indicators makes it extremely difficult to integrate them into climate-related metrics and targets at this stage. While we do not deny the content of this guidance itself, to realize these goals, it is necessary for discussions, including the development and utilization of nature-related data, to mature. At this point, we believe it is premature.
The Governance theme is split into two components: Roles, responsibilities, and remuneration, and Skills and culture. The guidance in the 2022 NZTP report was very applicable to nature-related levers and this is reflected in proposed supplemental guidance that closely follows the original NZTP.		
33	<p>Supplemental guidance summary:</p> <p>Roles, responsibilities, and remuneration: Roles and responsibilities for nature-related levers should be clearly defined. Structuring includes considering interim milestones to support biological timelines, and how to support identification of synergies and trade-offs.</p> <p>Skills and culture: Financial institution teams should have access to ongoing, relevant, nature-related training and experts, including interdisciplinary knowledge, that should be reviewed regularly and as key developments occur.</p>	<p>Roles, responsibilities, and remuneration : Not Sufficient</p> <p>skills and culture: Somewhat Sufficient</p>

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	Is the proposed guidance sufficient to supplement the NZTP guidance and demonstrate how nature-related considerations can be incorporated into a net-zero transition plan's Governance?	
34	Please provide any additional feedback on the Governance theme on either component.	<p>Roles, responsibilities, and remuneration:</p> <ul style="list-style-type: none"> • It is difficult for financial institutions to cover expertise on individual sectors and companies. Companies should possess expertise on individual nature-related themes, while financial institutions need to develop skills as generalists who can evaluate and compare their clients' initiatives. • Also, in the absence of metrics/targets and data to measure them, nature-related evaluation items included in the remuneration system would only be limited to qualitative and indirect items, or items common to responses to climate change.

(End)