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Potential Applications of the Long List and Value Chain Map to Nature-related Risk and Opportunity Analysis

*Each term is abbreviated in this document,
NP: Nature Positive
NPE: Nature Positive Economy
VC: Value Chain

Background and Challenges



Transition Strategies toward Nature Positive Economy
- Creating Corporate Value Based on Natural Capital -
March 2024

環境省
Ministry of the Environment

ネイチャーポジティブ経済移行戦略ロードマップ (2025-2030年)

環境省
Ministry of the Environment

経済産業省
Ministry of Economic Affairs

国土交通省
Ministry of Land, Infrastructure and Transport

農林水産省
Ministry of Agriculture, Forestry and Fisheries

気候変動対策推進本部
Climate Change Response Headquarters

気候変動に関する国際条約推進本部
International Convention on Climate Change Response Headquarters

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International Convention on Climate Change Response Headquarters

- Based on the **NPE Transition Strategy and the roadmap**, the Ministry of the Environment promotes the disclosure of nature-related information for the realization of NPE.




- One of the main challenges in undertaking disclosure is the time needed to determine **how business activities depend on and affect nature, and to identify the associated risks and opportunities.**


Overview and Objectives



- For each priority sector with high dependence on and impact on biodiversity, and significant industrial scale, **a Long List of nature-related risks and opportunities and a value chain map, which organize the list along the VC, have been developed** (collectively, the “Long List and VC Map”).



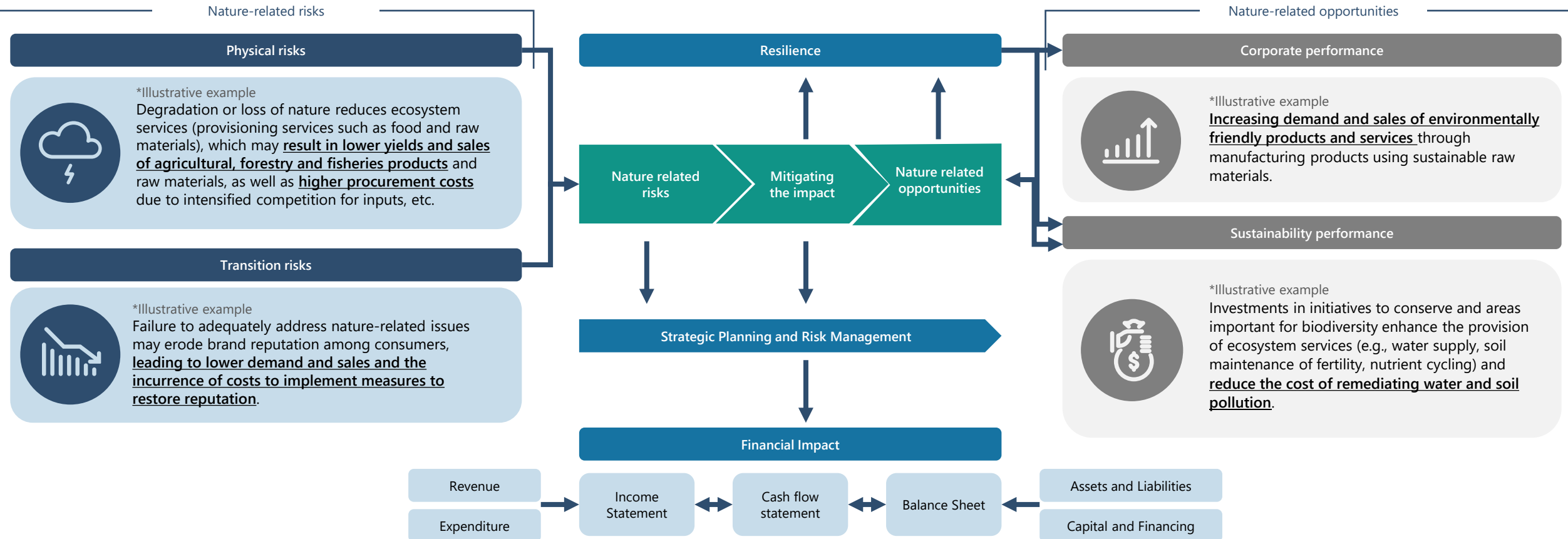
- The Long List and VC Map **streamline the analysis process in the Assess phase** (risk and opportunity identification) of the LEAP approach and **promote a focus on company-specific initiatives**, such as regional analyses and the consideration of response measures.



- The materials are intended for use not only in information disclosure but also **to support communication within organizations (across departments) and with business partners along the VC and investors.**

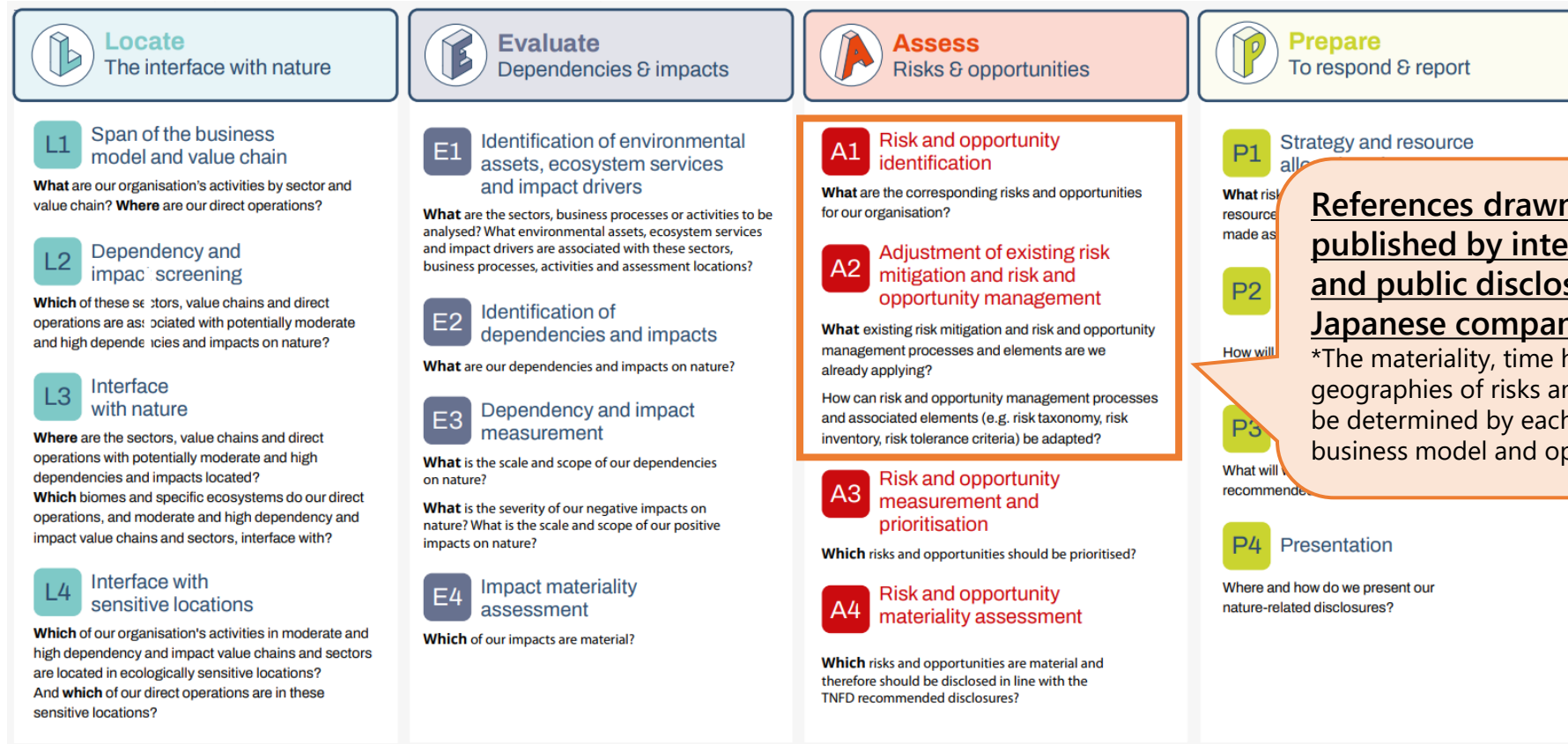
Relationship between Nature-Related Risks, Opportunities, Business Performance and Financial Impact

- **Nature-related risks and opportunities have a financial impact on organizations**, not only through revenue streams and cost bases, but also potentially via changes in the cost of capital, such as credit risk and premium reratings.
- **In line with the LEAP approach, identifying company-specific risks and opportunities** and undertaking actions to avoid or mitigate negative impacts and to generate positive impacts can lead to further enhancement of corporate value. The Long List and VC Map are intended **primarily to streamline the analysis of risks and opportunities in the Assess phase, thereby enabling greater focus on company-specific initiatives to enhance corporate value**, for example, regional analyses and the consideration of response measures.



Scenario 1: Use Cases for the LEAP Approach, the Long List and VC Map

- TNFD has developed the LEAP approach as an integrated framework for evaluating nature-related issues, including an organization's interface with nature, its dependencies and impacts, and the resulting risks and opportunities. The LEAP approach involves scoping, followed by the steps of Locate, Evaluate, Assess, and Prepare for disclosure.
- To streamline the identification of risks and opportunities in the Assess phase, in particular and to encourage greater focus on company-specific, location-based analyses and response measures, a Long List and a VC Map have been formulated.



References drawn from guidance published by international initiatives and public disclosures by leading Japanese companies.

*The materiality, time horizons, priority geographies of risks and opportunities need to be determined by each company based on its business model and operations

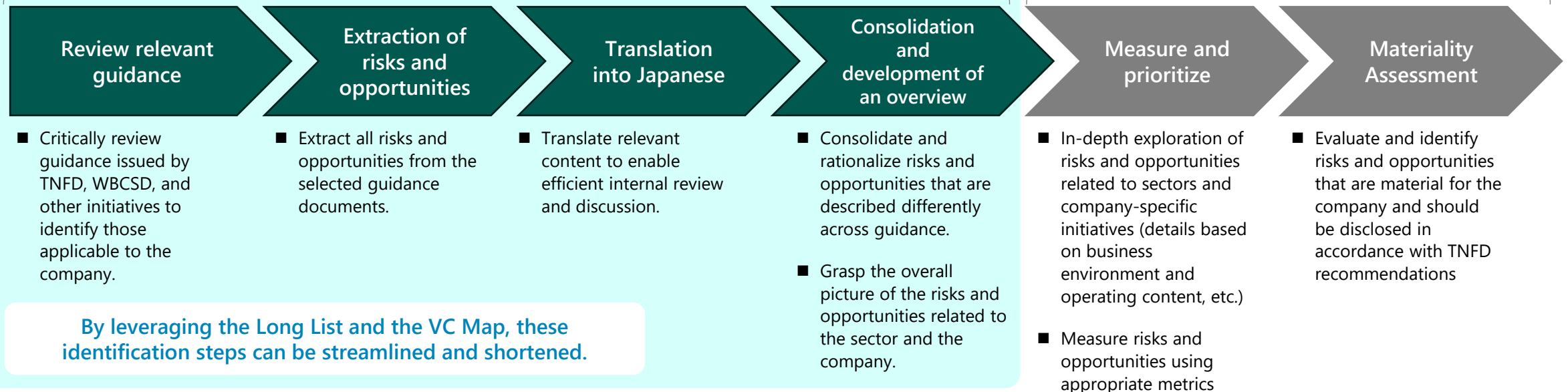
Scenario2: Use Cases for the LEAP Approach, the Long List and VC Map

- To prepare for the Assess phase, each company needs to identify and specify its nature-related risks and opportunities—reviewing relevant guidance, extracting risks and opportunities, translating the information into Japanese, and consolidating and synthesizing it—which requires substantial information processing.
- Leveraging the Long List can omit some of these initial steps, and using the VC map provides an overview of the key risks and opportunities by priority focus area or by VC stage; it can also serve as a communication tool with internal and external stakeholders. (See following pages for details.)
- It should be noted that the risks, opportunities, and response measures identified in the Long List and the VC Map need to be scrutinized based on the results of the LEAP approach’s Locate (e.g., identification of locations most exposed) and Evaluate (e.g., specification of dependency and impact pathways arising from pressures and external drivers) analyses, taking into account their relevance to the company’s business.

AssessPhase

Common risk and opportunity identification process

Narrowing individual risks and opportunities



(Reference) How to Use the Long List and the VC Maps in Communication with Each Stakeholder

- The Long List and the VC maps are intended **primarily to be used as inputs for identifying and prioritizing material risks and opportunities relevant to the company**, mainly to the departments responsible for TNFD disclosure.
- They can also be used as communication aids in engagements **with internal and external stakeholders** (e.g., for risk/opportunity analysis and consideration of response measures).
- Furthermore, in dialogue with financial institutions and investors, they can be used to evidence the identification and prioritization of key risks and opportunities and to communicate progress on implementing response measures.

vs. Management

- Use to articulate and make the case for integrating nature-related risks, opportunities, and response measures into corporate and business strategy.



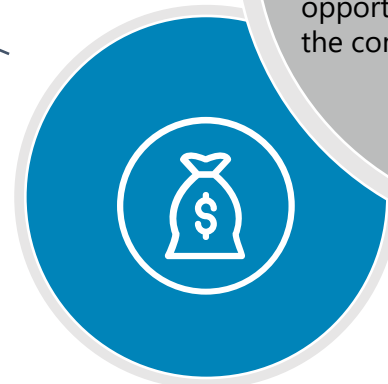
vs. Departments/ Business Units

- Use as a discussion starter to conduct prioritization of risks and opportunities based on the business context.



vs. VC Companies

- Use to identify risks and opportunities that propagate across the VC and to structure dialogues with upstream/downstream partners on response options.



vs. Financial institutions and investors

- Use to communicate to financial institutions and investors, as part of securing financing and investment, that key nature-related risks and opportunities have been identified and that response measures are being advanced.

