



Uniting to tackle the climate challenge through climate-related financial disclosures



Building on the success of the first-ever TCFD Summit in 2019, a second Tokyo-based summit was held online on October 9, 2020, as one of the six leading international conferences held during Tokyo "Beyond-Zero" Week. Global leaders from finance, industry, government and academia came together to explore how more financial disclosure can help create a positive cycle benefiting both economic growth and environmental protection. Home to a world-leading 300 organizations supporting the TCFD, Japan was the logical place to host this important summit.

WELCOME MESSAGE



A conference to promote cooperation

Suga Yoshihide, Prime Minister of Japan

Climate change is both a challenge and an opportunity. Momentum to create new industries and markets is rising around the world, and Japan is using its advanced technological capabilities in efforts uniting industry, academia and government to contribute to global decarbonization.

Japan is home to over 300 TCFD-supporting companies, more than any other country, and organized the TCFD Summit as one of six international conferences during Tokyo "Beyond-Zero" Week. I hope these conferences will promote cooperation between Japan and the international community as the world moves towards the resolution of climate issues.



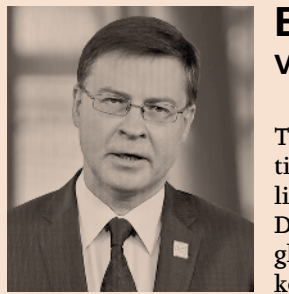
Disclosures create opportunities for innovation

Kajiyama Hiroshi, Minister of Economy, Trade and Industry (METI)

Last year, the world's first TCFD Summit brought together global leaders of industry and finance in Tokyo. We agreed that information disclosed according to TCFD recommendations should lead to constructive engagement, not disinvestment. Disclosures aid risk assessment and create innovation opportunities. Artificial synthesis, for example, is a new technology being discussed this week. With investor support, such tech seeds can bring social change.

I look forward to dialogue between investors and businesspeople on financing these opportunities. It is through these mechanisms that Japan will innovate faster and realize a positive cycle of economic growth and environmental protection.

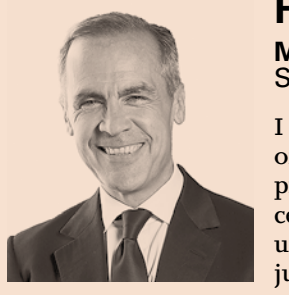
OPENING REMARKS



EU-Japan cooperation on sustainable finance

Valdis Dombrovskis, Executive Vice-President, European Commission

The European Commission remains a firm supporter of the TCFD recommendations on how companies should report climate information. The TCFD is closely linked to sustainable finance, which is vital in the context of the European Green Deal, Europe's strategy to become climate-neutral by 2050. Climate change is a global challenge and our response should also be global. This is why the EU will keep sustainable finance high on the international agenda.



Financial decisions must consider climate change

Mark Carney, Finance Advisor to the Prime Minister for COP26 and UN Special Envoy for Climate Action and Finance

I commend METI both for convening this summit and putting in place the types of strategies necessary to achieve net zero and a sustainable climate. The Japanese private sector's efforts have been remarkable: Japanese firms account for 20 percent of all organizations supporting TCFD. The focus now is the shift from voluntary standards to finding pathways to mandatory implementation in different jurisdictions. Japan's leadership makes it well placed to help shape that process.



Disclosures illuminate the path ahead

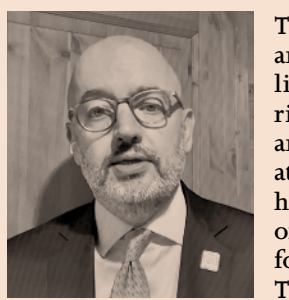
Mary Schapiro, Head of The TCFD Secretariat, Vice Chair for Global Public Policy at Bloomberg and Senior Advisor to the Founder

Japan is a global leader driving support for TCFD recommendations and an ally in encouraging implementation. Convening this discussion gives institutions and industries knowledge critical to successfully adopting and implementing the Task Force's recommendations. Our goal is for the information elicited by the recommendations to become commonplace in financial reporting. Organizations successfully implementing climate risk disclosure will illuminate the path ahead.

OPENING SESSION

Rewarding sustainability with lower-cost capital

Peter Bakker, President and CEO, WBCSD



TCFD recommendations are an important tool for linking climate change risks to decision-making and capital market evaluations. Over the last year, we have seen more disclosures of higher quality, but room for improvement remains.

Through simple accounting rules around meaningful ESG indicators, we must create a market that rewards sustainable business with lower capital costs and thus allocates more capital to the critical systems transitions ahead.

Green technology investment as a path to corporate profit

Miyazono Masataka, President, Government Pension Investment Fund (GPIF)



As a universal owner and cross-generational investor, GPIF relies on sustainable, stable growth in the capital market as a whole to ensure consistent long-term returns. Climate change and related issues threaten this, and the TCFD framework is one way asset owners like GPIF can take the lead in addressing these risks.

One interesting finding from our most recent portfolio analysis was that investment in green technology may actually increase corporate value, especially among Japanese equities. This means that investment in emissions reduction is more than just a way to mitigate risk—it could also be a new path to corporate profit.

From disclosure to innovation

Ito Kunio, Chair of the TCFD Consortium, Director of Hitotsubashi CFO Education and Research Center



While collecting and disseminating best practices as "homework" after the last TCFD Summit, the consortium found that over 90% of members believe disclosure has benefited them. The challenge for many now is further integrating disclosure into corporate activity. I look forward this year to on-going discussion of topics such as sector-specific analysis and TCFD-driven initiatives for transition and innovation.

Sustainability is the new standard of investing

Laurence Fink, Chairman and CEO, BlackRock



I'm delighted over 1,000 global organizations now support TCFD, including private-sector companies with a market capitalization of nearly \$12tn. During the past year, BlackRock's stewardship team engaged with 600 companies on TCFD to advocate enhanced disclosure. Finance is fundamentally changing, and climate risk is investment risk. COVID is forcing us to focus on business models that are resilient, and we believe that sustainable investing is the strongest foundation for client portfolios going forward. While we are likely at the beginning of a fundamental reshaping of finance, we continue to remain agile and focus on sustainability as a powerful driver for change.

SPECIAL DISCUSSION

TCFD progress during the pandemic and beyond

Moderator Mizuno Hiromichi of METI asked panelists about TCFD progress. Japan leads the world in TCFD support, said Nissay Asset Management's Ozeki Hiroshi, noting two-thirds of nonfinancial players back it and positive correlations between ESG ratings and stock performance are clear. One example of change is Shiseido: Aoki Jun said young Japanese are joining the firm because of its ESG values, including its pledge to be carbon-neutral by 2026.

Internationally, companies and investors are following suit. Shell's Alan Maclean said, "We have stepped up our

ambition and now aim to be a net-zero emissions energy business by 2050, moving in step with society and customers. Some necessary zero-emissions technologies do not exist yet, so our business plans will have to change over time."

As California's historic wildfires show, climate change is a present threat, said CalPERS' Marcie Frost. It's one of the top three dangers to the \$410bn portfolio run by the pension fund, which is pushing for mandatory TCFD standards



in corporate reporting.

Principles for Responsible Investment's Fiona Reynolds said her organisation is working with Climate Action 100+ to push companies for TCFD disclosures. It also teamed with UNEP FI to launch the UN-convened Net-Zero Asset Owner Alliance. Reynolds called it "ground-breaking...it's about asset owners making their own commitment to net zero by 2050."

PANEL DISCUSSION 1

Different industries, different climate risks: Evaluating sector-specific materiality

This session was set up, explained moderator Nagamura Masaaki of Tokio Marine, after sector-specific financial materiality was identified as a topic deserving further discussion in last year's TCFD Summit. BHP's Fiona Wild stressed that disclosure is "very much a process" and that it's always better for companies to take a first tentative step towards disclosure rather than wait for everything to be perfectly aligned with TCFD recommendations.

Yamauchi Toshihiro explained how his company, Sumitomo Chemical, is

demonstrating what the chemical industry can do both by cutting its own GHG emissions and through a designated line of products and technologies solutions that contribute to overall GHG emission reduction at the use stage. David Parham of SASB made the point that climate risk is both pervasive and industry-specific. Energy-intensive heavy industry is exposed to regulatory risk on emissions reduction, for example, while the lean supply chains of apparel and electronics manufacturers



can be disrupted by physical climate risk. Comparable performance metrics can provide decision-useful information to capital markets.

Manulife Investment Management's Oshida Shunsuke expects issuers to take the balance between comparability and uniqueness in materiality on TCFD and ESG disclosure. Comparability is needed for identifying their own materiality and disclosing outcomes, and uniqueness for strategies to manage it.

PANEL DISCUSSION 2

Winning over investors and top management with scenario analysis

Scenario analysis is a vital tool for our transition to carbon neutrality. As Didiem Nisanci of Bloomberg noted in her comments, useful analysis requires engagement at the highest levels of the company and must be a continuous process rather than a "one and done" exercise. Panel facilitator Tezuka Hiroyuki of JFE Steel agreed, noting the importance of emphasizing opportunities, not only risks, when analysing different climate scenarios.

For investors, insight into corporate strategy drives better decisions. "Scenario analysis should reduce

information asymmetry and bolster ESG integration," said Iwanaga Yasunori of Amundi Japan. Shibukawa Atsushi of Mizuho Financial Group explained how the group's analysis of its own business showed the importance of action plans for climate change risks, and how disclosure from clients improves risk assessments.

Panelists also shared specific examples and practices. Francesca Gostinelli of Enel described her company's use of scenario analysis to capture market



dynamics over different time frames for better "storytelling" in integrated reports. Mizouchi Ryosuke of Kirin Holdings explained how the company's analysis showing that tea would be less affected by climate change than coffee is already improving product development and marketing decisions. For sustainability officers, he said, TCFD and scenario analysis can be effective for securing the support of top management.

PANEL DISCUSSION 3

Transition finance and disclosure-driven enviro-innovation

The summit's final panel was a wide-ranging discussion of recent thinking on how climate transition can be achieved. Takatsuki Yo of AXA Investment Managers offered a broad overview of the concept, noting that, since we cannot move immediately to a net-zero world, significantly and rapidly changing how industries operate was "the key challenge point of transition finance." Shiomura Kenji of GPIF cited the fund's research suggesting low-carbon technology-related revenue opportunities for Japanese companies,

with more potential upside under lower temperature scenarios. Kajikawa Fumihiro of METI welcomed these ideas, but warned of technocentrism as a potential pitfall. "We must keep asking how to bring the technology to market," he said.

The panel then moved to the second topic: disclosure and innovation. Fujimura Takehiro of Mitsubishi Corporation, a TCFD Consortium member, described growing awareness of the need for flexible disclosure



requirements varying with corporate scale. Ikeda Satoshi of the JFSA agreed, calling for a kind of "soft law" that would urge companies to use disclosure as a tool for describing the type of transition they intend to achieve by identifying risks and pursuing opportunities. In his closing statements, facilitator Ito Kunio called for more discussion on the theme of opportunity at next year's summit.

KEYNOTE

Financing the carbon-zero transition

Yamashita Ryuichi, Director-General, Industrial Science and Technology Policy and Environmental Bureau, METI

METI's Climate Innovation Finance Strategy 2020 is a vision of a carbon-free future on a global scale. It calls for multiple types of climate innovation to effect a discontinuous transition from "brown" to carbon-free economies. A shared understanding of transition finance as catalyst in this process will be essential. (Reference: https://www.meti.go.jp/english/press/2020/0916_001.html)



CLOSING REMARKS

A framework for competitiveness

Mizuno Hiromichi, Special Advisor, TCFD Summit Ambassador, METI

TCFD disclosure began as a framework for financial investors, but increasing corporate participation allows measures against global warming to be disclosed and assessed as a source of competitiveness. Our speakers and panelists at this summit have shown that this is already inspiring better decision-making and climate action around the world, a trend in which Japan will continue to play its part.



ABBREVIATIONS

COP 26: "Conference of the Parties" 2021 UN Climate Change Conference / JFSA: Japanese Financial Services Agency / SASB: Sustainability Accounting Standards Board / TCFD: Task Force on Climate-related Financial Disclosures / UNEP FI: United Nations Environment Programme Finance Initiative / WBCSD: World Business Council for Sustainable Development

<https://tcf-summit.go.jp/indexEn.html>

