

## **Key Takeaways of the TCFD Summit 2021**

### **1. Introduction**

With increasing interest in climate change, more than 120 countries around the world have declared they are aiming to be carbon neutral by 2050. In order to achieve this, financial institutions are also actively working toward achieving net zero emissions among their investees.

In order to achieve a virtuous cycle of economic growth and environmental protection, it will be important for companies to further their commitment to TCFD disclosure, and to improve the quality and depth of disclosure in order to help investors make appropriate financing decisions. It will also be vital for investors to accurately understand these disclosures.

The event in 2021 was the third TCFD Summit. Leaders from the industrial and financial sectors discussed how to promote further use of the TCFD recommendations in order to encourage the expansion of disclosure that will provide a sound basis for appropriate investment decisions.

### **2. TCFD-related Achievements over the Past Year**

- Since the TCFD Summit in October 2020, more than 1,000 organizations have newly supported the TCFD, bringing the total to over 2,500 worldwide. Japan, the host country of the TCFD Summit, has demonstrated significant leadership in promoting discussions in this field with more than 500 Japanese organizations supporting the TCFD.
- In Japan, TCFD disclosures will become mandatory in the prime market, which will be launched in April 2022. There are also worldwide trends, including in the UK and EU, to introduce mandatory disclosures in line with the TCFD recommendations. In addition, there is a movement to establish disclosure standards, such as the planned development of an international sustainability reporting standard based on a prototype proposed by five standard-setting bodies of the IFRS Foundation, while keeping the TCFD as the basis.
- In order to realize more enhanced disclosures, the TCFD conducted a public consultation for revising its guidance on metrics, targets, and transition plans, and the Japan TCFD Consortium issued the Green Investment Guidance 2.0.

### **3. Commitments and Recommendations to the Summit**

- Finance and Industry
  - Financial institutions and companies should unite to realize the transition to a decarbonized society through engagement with customers rather than divestment. In doing so, companies should disclose their transition plans and strategies to foster a common understanding of the transition with financial institutions, while financial institutions should conduct effective engagement.
  - Climate-related data is non-financial information but is directly linked to shareholder value. The standardization of metrics is desirable in order to evaluate disclosed information appropriately and easily.
  - The financial and industrial sectors will not only reduce their own emissions but also make efforts to reduce emissions across the value chain.
- Bank of Japan
  - The Bank of Japan decided on a comprehensive action policy on climate change. It will enhance TCFD disclosures by financial institutions through monetary policy and dialogues during examinations and monitoring, and will also work on the Bank's own TCFD disclosures.
- Government of Japan
  - The Government of Japan will provide ongoing assistance for TCFD disclosures. It will also provide a roadmap on transition finance that will serve as a reference for transition strategies and plans, which will be important for future disclosures.

### **4. The Summit's Main Discussion Points**

- Panel Discussion 1
  - Asset owners have a major role in net zero emissions. It is important that the commitment to carbon neutrality is achieved through engagement rather than divestment.
  - Since asset owners need to allocate capital based on reliable data, it is important to establish metrics and targets and materialize long-term benefits based on quantitative analysis.
- Panel Discussion 2
  - Reducing emissions across the supply chain is critical. Scope 3 disclosures have practical challenges. Methods for calculating emissions must be established.
  - We also need to recognize the principle of why Scope 3 is necessary and not fall into the check-the-box method for the standardization of metrics.
- Panel Discussion 3
  - At this time, it is unrealistic for everyone to turn completely "green". We must gradually change to a lower emission business model.

- Enhanced disclosures, including transition strategies, is desirable especially in industries with high CO2 emissions. It would be beneficial to develop a roadmap for transition finance and take other measures to present pathways to transition which are appropriate for the region.
- Panel Discussion 4
  - Transition finance is needed globally, and, for this purpose, disclosures are required.
  - In Mexico, steps are being taken to establish a consortium based on the activities of the Japanese consortium. Japan's contribution to the Trans-Pacific region plays a significant role in the expansion of worldwide disclosures.