

Key Takeaways of the TCFD Summit 2022

1. Introduction

Finance is gaining importance in powerfully promoting measures against climate change. As a framework for disclosing information related to climate change, companies and other organizations worldwide are increasingly required to disclose climate-related financial information, which is the mission of the Task Force on Climate-related Financial Disclosures (TCFD).

To achieve a virtuous cycle of economic growth and environmental protection, companies should be further encouraged to be committed to TCFD disclosure. It is important for companies to improve the quality of disclosure to help investors make appropriate investment decisions. Meanwhile it is also vital for investors to understand the disclosures accurately.

At the fourth TCFD Summit in 2022, leaders from the industrial and financial sectors discussed how to make greater use of TCFD recommendations while considering the need to improve the quality of disclosures based on appropriate international common rules and desired disclosure methods that help investors appropriately evaluate transition and innovation initiatives that are important means for achieving carbon neutrality and promote financing in them.

2. Achievements concerning TCFD for the past year

- Since the TCFD Summit in October 2021, the number of organizations supporting TCFD has increased by more than 1,000 to over 3,800 across the world. As the host of the TCFD Summit, Japan has exercised great leadership in facilitating discussions in this field, supported by over 1,000 organizations.
- In Japan, TCFD disclosures have been effectively mandatory on the Prime Market since April 2022 while there is a global movement to make TCFD-based disclosures mandatory, such as in the United Kingdom and the EU. Based on TCFD, the IFRS Foundation created the International Sustainability Standards Board (ISSB) to make disclosure standards in line with TCFD recommendations.
- To further enhance disclosures, the TCFD conducted a public consultation for revising its guidance on indicators, targets, and transition plans and the Japan TCFD Consortium released the Green Investment Guidance 3.0.

3. Commitments and recommendations submitted to the Summit

- Financial and industrial sectors
 - Transitioning from voluntary recommendations such as TCFD recommendations to mandatory disclosure standards is indispensable for the transformation of the whole financial system toward carbon neutrality.
 - It is important to accelerate the transition using a wide range of technologies and energy sources, to promote the creation of new innovations and to implement them publicly.
 - To realize social change through GX, large amounts of investments are needed in various fields and creating an environment to mobilize funding is essential.
- Japanese government
 - Supports TCFD disclosures on a continuous basis and works to further expand a transition finance roadmap to promote transitions and help non-continuous innovations get appropriate funding.

4. Major discussions at the Summit

- Opinion Exchange
 - Although ISSB does not create completely new standards from scratch, it tries to integrate existing initiatives and utilize them. For the standards, TCFD is absolutely important and serves as the foundation to create the standards at ISSB.
 - The overall purpose of ISSB is to make organizations disclose information that has high-cost performance for them and is useful for investors to make decisions.
- Panel Discussion 1
 - It is necessary to encourage identifying and disclosing opportunities as well as risks. However, if companies do not identify or disclose opportunities, they will fail to attract attention from investors. This is quite important for a shift toward decarbonization.
 - Standards for climate-related information disclosure will continue to change and it is of the utmost importance to keep contributing to global discussions.

- Panel Discussion 2
 - To expand the autonomous provision of funds in the private sector for transition finance, it is important to improve the reliability of transition pathways envisioned by companies.
 - Financial institutions are expected to evaluate the initiatives and strategies of companies from medium- and long-term perspectives, while companies are required to strengthen responses to information disclosure so that they can withstand engagement.
 - In addition to the necessity for systems to disclose and share information related to new technologies and relevant development situations, government financial support and involvement is also important.