

# **TCFD Consortium**

**-Looking back and looking ahead-**

**October 5, 2022**

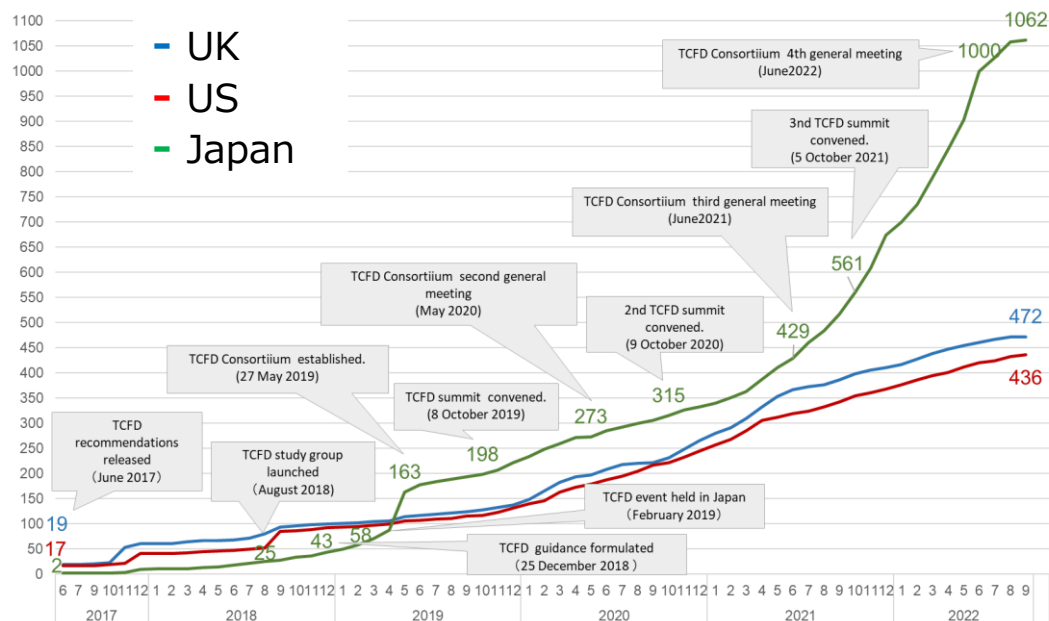
**Keisuke Takegahara, Development Bank of Japan**



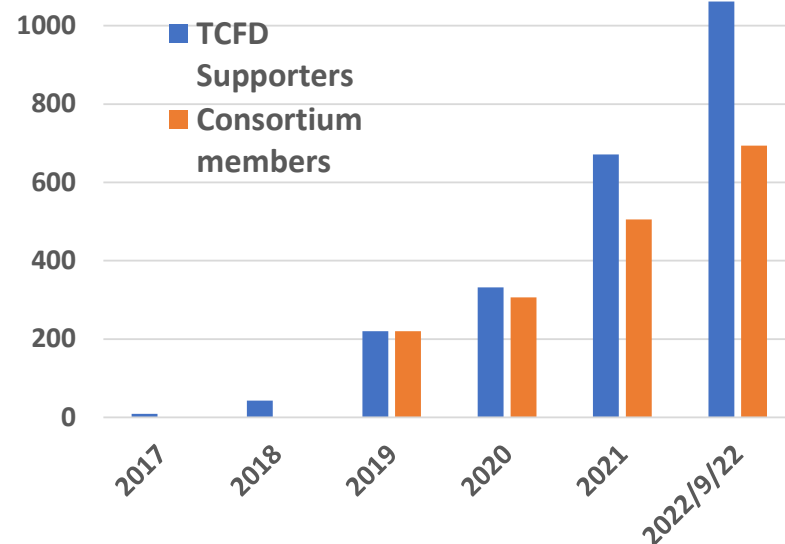
# Growth in TCFD-related activities and the TCFD Consortium

- In response to the growing momentum to support TCFD disclosure, the TCFD Consortium was established in May 2019 as a forum for companies and financial institutions that support TCFD recommendations to work together to promote efforts to effectively disclose information and to make appropriate investment decisions for financial institutions.
- Following an increase in TCFD supporters triggered by the revision of the Corporate Governance Code, 2/3 of TCFD Supporters in Japan has joined the Consortium.

## Number of TCFD Supporters



## Trends of TCFD Supporters and TCFD Consortium Members in Japan

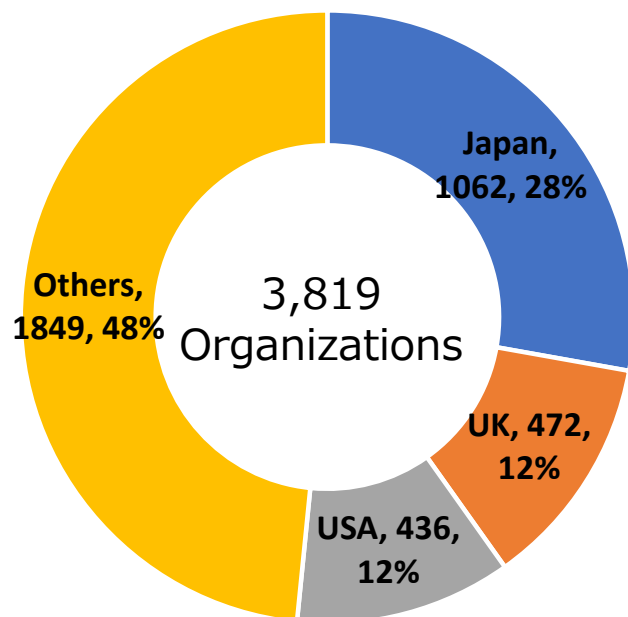


Source) TCFD consortium based on TCFD data (as of 22 Sept 2022)

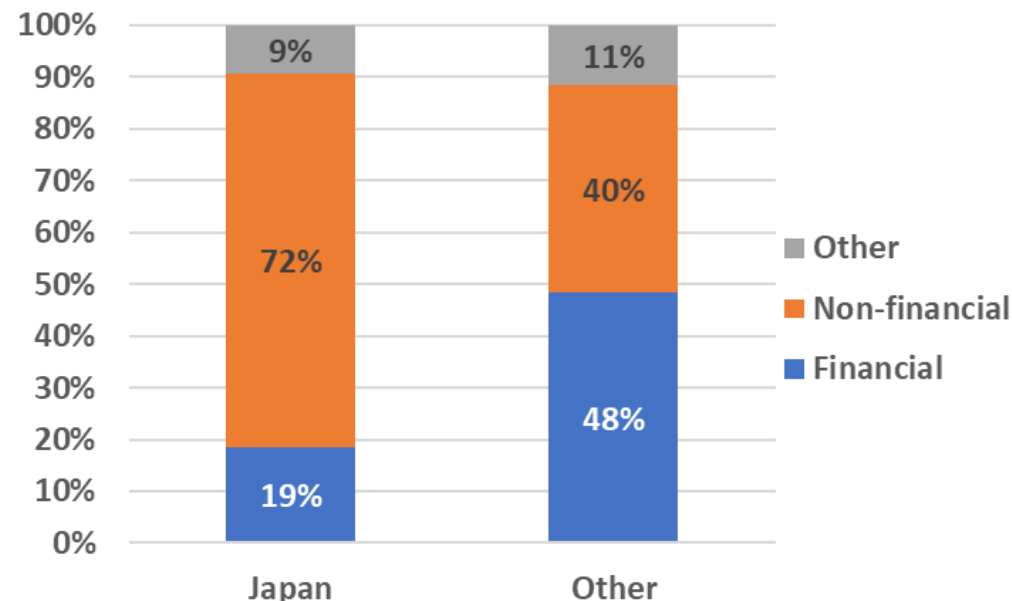
# Japan leads the world in responding to TCFD

- In September 2022, the number of companies supporting TCFD in Japan exceeded 1,000.
- Nearly 30% of TCFD supporters worldwide are Japanese organizations, characterized by the significant proportion of non-financial institutions (disclosing entities).

No. of TCFD Supporters (Sep. 22, 2022)



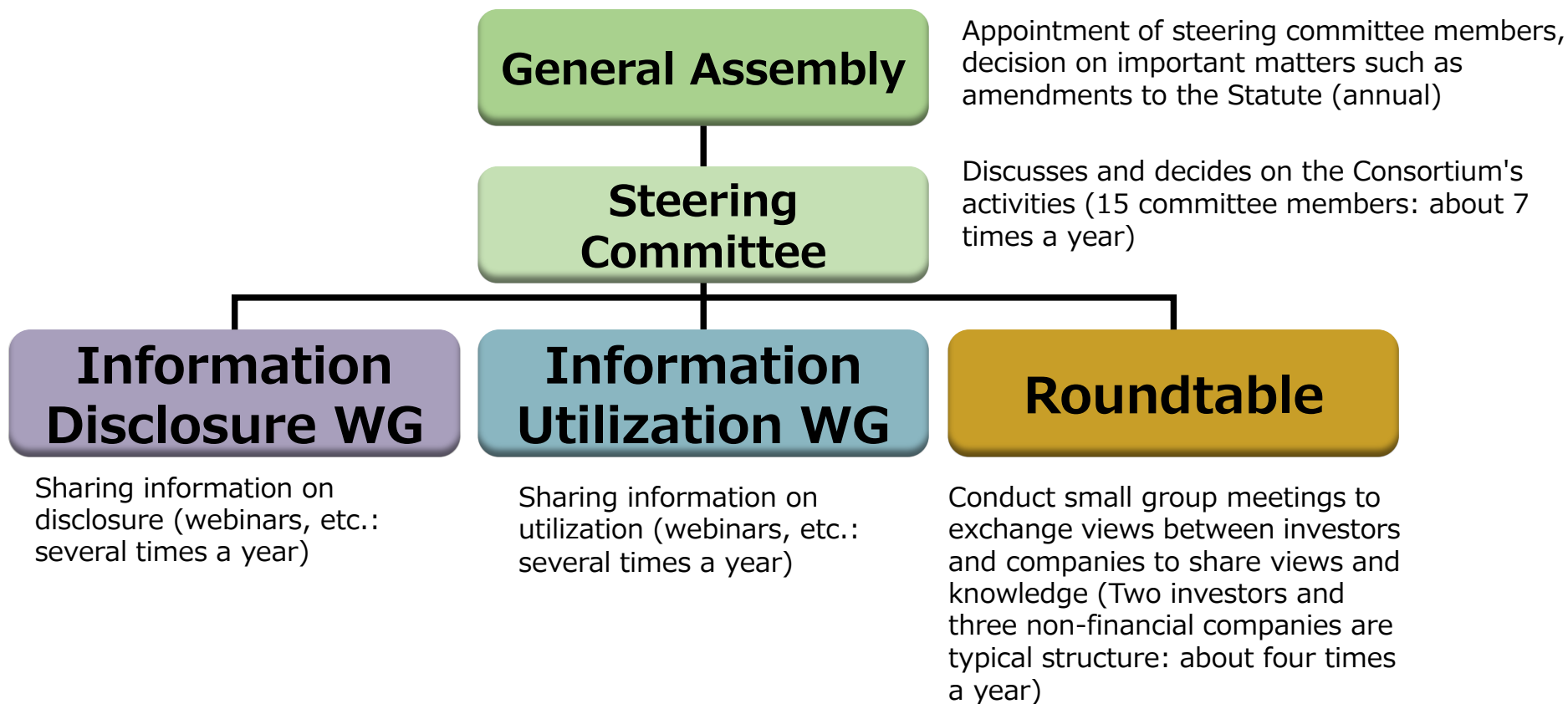
Breakdown of TCFD Supporters



Source) TCFD consortium based on TCFD data (as of 22 Sept 2022)

# Structure of the TCFD Consortium

- Currently, the Consortium consists of a general assembly, steering committee, working groups (WG: information disclosure, information utilization) and roundtable.
- The Ministry of Economy, Trade and Industry, the Ministry of the Environment and the Financial Services Agency also participate.
  - Mitsubishi Research Institute, Inc. currently serves as the secretariat.



# Activities of the TCFD Consortium (FY 2019)

- Over 400 people, including the Minister of Economy, Trade and Industry as well as top executives and management from member companies, participated in the TCFD Consortium's inaugural meeting on May 27, 2019.
- At the TCFD Summit (held on October 8, 2019), "Green Investment Guidance" was announced, which aims to realize a virtuous cycle of environment and growth through information disclosure. In addition, pioneering initiatives such as a trial round-table were implemented.

## TCFD Consortium Inaugural Meeting



Photo Session by participants



Opening address by Chair Ito

## Green Investment Guidance

Promote constructive dialogue (engagement) with companies, leading to enhanced corporate value.

Identify and assess the risks and opportunities posed by climate change.

Promote innovation for decarbonization, and to create mechanisms for appropriate flow of funds.

**Aiming to realize a virtuous cycle of environment and growth**

**Guidance for Utilizing  
Climate-related Information to  
Promote Green Investment  
(Green Investment Guidance)**

October 8, 2019

TCFD Consortium

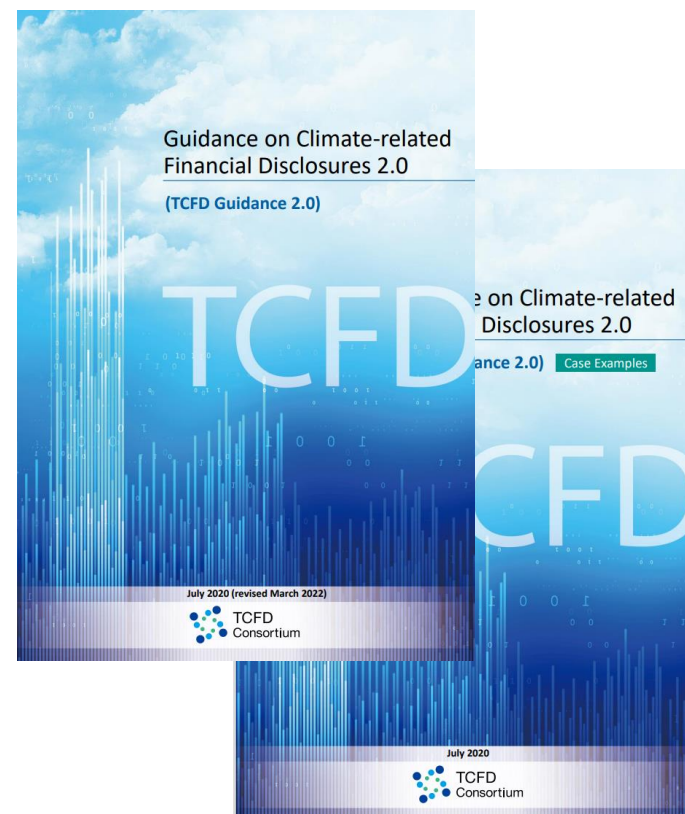


# Activities of the TCFD Consortium (FY 2020)

- Working groups (webinars), roundtables, etc., became routine activities to establish a forum for companies and investors to exchange ideas and share views. Accumulated disclosure and utilization data through questionnaires, etc.
- The “TCFD Guidance 2.0” was published with an expanded collection of commentaries, sector-specific guidance, and case examples based on the latest knowledge and trends in Japan and abroad. The document "Towards a More Decision-Useful TCFD Disclosure" was released at the same time, calling for disclosure that are voluntary and flexible (July 2020).

## Outline of TCFD Guidance 2.0

| Item  | Summary of revisions from the first edition   |
|---|---|
| Chapter 1 (Introduction)  | Purpose of the preparation and revision of the guidance is explained based on recent trends. The columns also comment on other related matters. |
| Chapter 2 (Commentaries on Disclosures in accordance with the TCFD recommendations) | Extensive commentary is provided on the questions related to disclosure, based on the latest cases, on four TCFD recommendations.               |
| Chapter 3 (Sector-specific guidance)  | Four new industries were added: food, banking, life insurance and non-life insurance.   |
| Case examples (separate volume)   | Selected based on the most recent disclosure cases (47 Japanese cases and 28 overseas cases).   |



# Activities of the TCFD Consortium (FY 2021)

- Continuing on from the previous year, webinars, roundtables and questionnaires were conducted, which formed the basis of Consortium's activities.
- Thoroughly revised the Green Investment Guidance (Green Investment Guidance 2.0), which reflected important developments since the publication of the first edition. In addition, the "addendum" section was newly added to explain important topics that need to be discussed further.
- Worked with the Sustainability Forum Japan to translate TCFD publications into Japanese and disseminate knowledge.

## Outline of Green Investment Guidance 2.0

### Main text

- Governance
  - Strategies and Business Models
  - Risks and Opportunities
  - Performance and Key Performance Indicators (KPI)
- Inclusion of new trends such as transitions
  - Update of case examples

### Addendums

- Paris Agreement and Carbon Neutrality
- Transition finance
- Initiatives for Investors and Other Stakeholders on Climate Change
- Evaluation of Participation in External Climate Initiatives
- Carbon Pricing
- Climate Change Risk Management for Investors and Other Stakeholders, and the Role of NGFS

## Points of revision

### Progress on social issues

Achieving carbon neutrality requires transition and innovation on a massive scale. Therefore, growing importance is placed on engagement.

### Progress on financial action

Efforts to reduce emissions from financial portfolios are gaining momentum. Therefore, it is becoming necessary to encourage borrowers to respond to climate change through long-term engagement.

### Progress in corporate disclosure

Disclosure is progressing due to factors such as revision of the Corporate Governance Code, and its quality is improving. These necessitate investors and other stakeholders to consider such information taking into account materiality.



# Examples of TCFD Consortium Activities (1) Roundtables

- Roundtables were piloted in fiscal 2019 as a forum for exchange of ideas between companies and investors. It has been implemented about 4 times a year since FY 2020, and have gained high praise.
- Originally face-to-face, now conducted remotely
  - Parallel groups are made possible due to remote modality, but some participants express the desire to meet face to face.

## Implementation method

- Multiple groups of about three companies and two investors were formed.
  - Companies are classified by industry or disclosure level
  - Investors grouped with diversity in mind (Japanese / foreign, equities / bond, etc.)
- To share viewpoints on disclosure and use of information, and to improve understanding of each others' standpoints.
  - The circumstances of individual companies are not mentioned.

### Typical timetable (2 hours)

| Segment             | Time  |
|---------------------|---|
| Opening meeting (1) | About 10 minutes (instructions on discussion)   |
| Group Discussion    | About 80 to 90 minutes                          |
| Closing meeting (2) | About 20 minutes (wrap-up, sharing of outcomes) |

## Participants' impressions

### Companies

- We have never had a chance to hear directly from an investment firm, and it's been a learning experience.
- We had a very intensive exchange.
- A very important platform to take the relationship between companies and investors to a new level.
- Companies with similar disclosure levels were able to share their concerns.

### investors

- Was able to hear the thinking of investors from different genre who usually do not have much contact with each other.
- Was able to share views on how to translate climate change into corporate value.
- A valuable and valuable experience to understand viewpoints of others.
- Provided clues on individual engagement in the future.

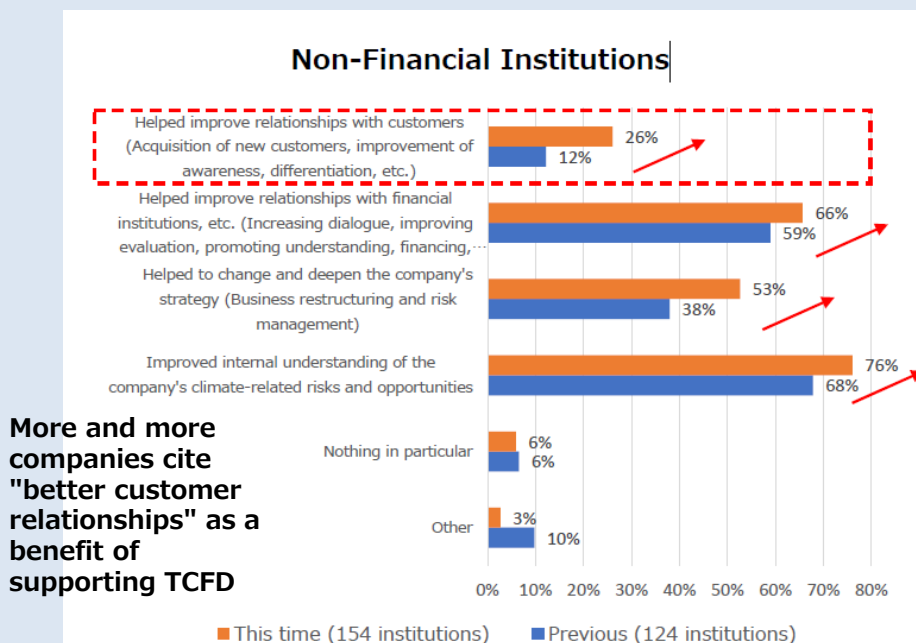


## Examples of TCFD Consortium activities (2) Member survey

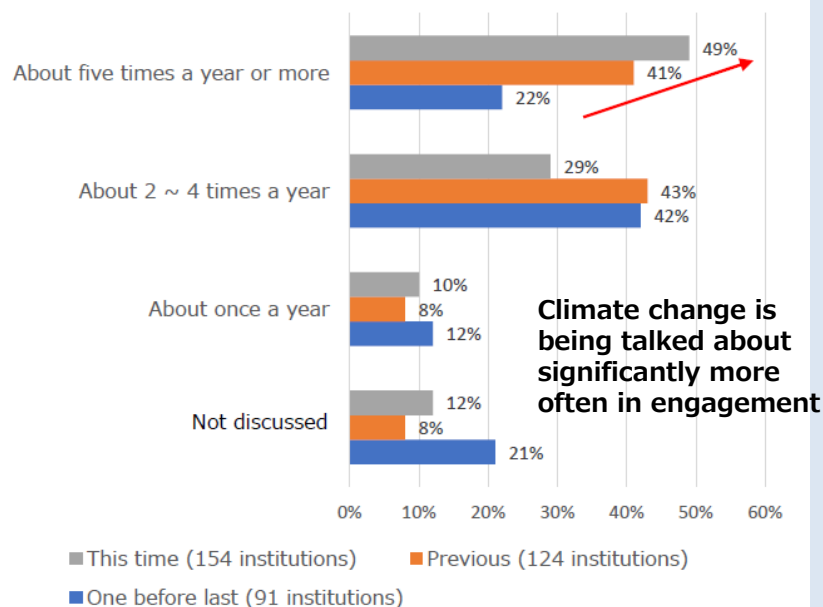
- Undertaken since fiscal 2019 (Online since fiscal 2020 due to increase in membership).
- Conducted separately for financial and non-financial institutions.
- It is widely used as a valuable "fixed-point observation" for corporate disclosure and utilization.

### From the 2021 survey

#### What were the benefits of TCFD and information disclosure?



#### The frequency of climate information disclosures brought up in engagement



# Activities of the TCFD Consortium (FY 2022)

- Continuation of activities such as roundtables, questionnaires and webinars
- Publication of TCFD Guidance 3.0
- External communication (comments on the Exposure Drafts of IFRS Sustainability Disclosure Standards)
- Translation of TCFD literature and evaluation of pilot workshops
- Consideration of future operating structure

## Overview of TCFD Guidance 3.0

### Background of the revision

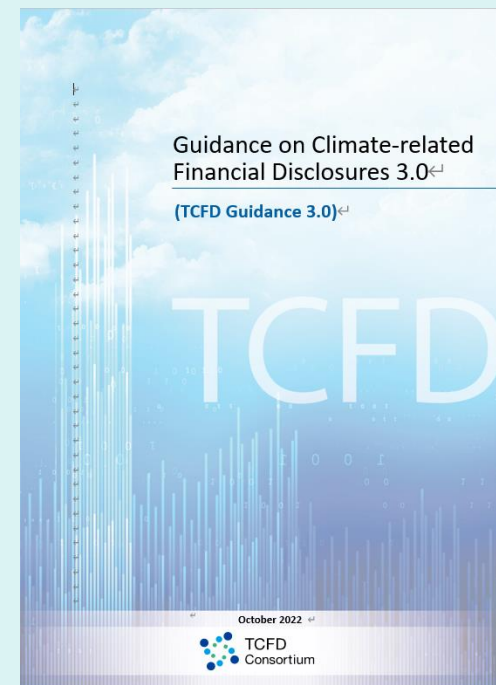
- Enhancement of guidance documents through TCFD, etc.
- Developments in climate-related disclosure and accumulation of cases

### Direction of revision

- Simple and compact structure for those starting to disclose
- Reflect the latest trends

### Revision Summary

- Separate volume of sector-specific disclosures
- Case examples will be published in a separate volume this fiscal year.
- Inclusion of addendums, focusing on the latest trends to be discussed , such as IFRS Sustainability Disclosure Standards, transition, etc.



# Collaboration with TCFD

- The activities of the TCFD consortium are highly regarded by TCFD.
  - "The TCFD consortium in Japan achieved measurable success, serving as a model to promote adoption of the TCFD recommendations at the national level"
- In fiscal 2021, the TCFD Annex, Guidance on Metrics, Targets and Transition Plans, was translated into Japanese.
  - Conducted jointly with Sustainability Forum Japan

## Figure A7 Spotlight on TCFD Consortia

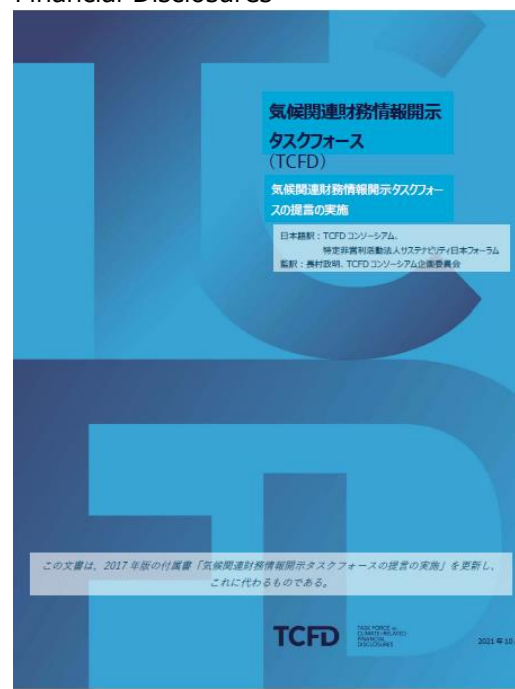


### Japan:

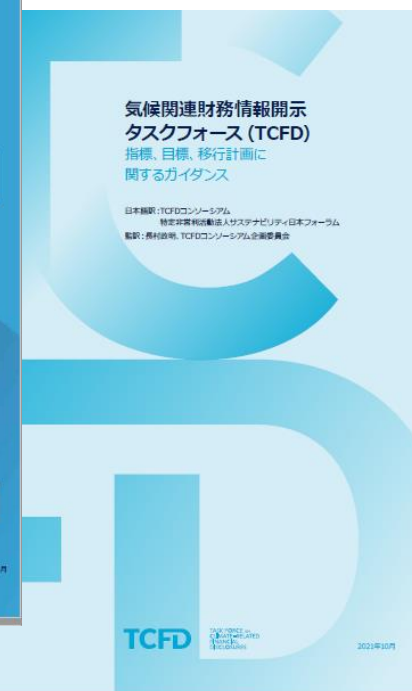
Throughout 2020–2021, the Japan TCFD Consortium developed *Guidance on Climate-related Financial Disclosures 2.0*, promoted dialogue between users and preparers of climate-related disclosures via the Green Investment Guidance (GIG) Supporters platform, and supported the second annual TCFD Summit.<sup>25</sup>

The Japan TCFD Consortium has achieved measurable success, serving as a model to promote adoption of the TCFD recommendations at the national level.<sup>26</sup> Accordingly, some jurisdictions have initiated development of their own TCFD Consortia.

### Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures



### Guidance on Metrics, Targets and Transition Plans



- ESG-related disclosure standards will continue to be published.
  - IFRS Sustainability Disclosure Standards (to be published in 2022), European Corporate Sustainability Reporting Directive (CSRD), TNFD (Biodiversity), etc. The "S" and "G" of ESG are also being considered.
- Common to these standards is the TCFD framework, with no significant deviation. TCFD alignment is considered as the basis of corporate value improvement.
- Therefore, it is very important for companies and investors to keep abreast of the latest knowledge on how to respond to TCFD, and to exchange views and share their understanding.
- TCFD Consortium will retain its important role, with TCFD compliance broadening in light of revisions to the Corporate Governance Code.

## The expected role of the TCFD Consortium

### To members

- Research and share the latest trends and instructive cases
- Enhancing opportunities for member companies to participate and interact

### To non-members

- Cooperation with educational institutions
- Expanding outreach to small and medium-sized companies

### International cooperation

- Enhanced international recognition
- Responding to public consultations
- External communication in Japan

## Looking ahead to 2023 and beyond

- As corporate efforts to create value through sustainability initiatives become more active in many areas, the Consortium is currently considering expanding its services to contribute to these efforts by collaborating with external organizations as appropriate.

### Indicative list of programs currently under consideration

| Programs  | Content   | Targeted for                                  | Partners                      |
|---|---|---|-------------------------------|
| <b>Seminar on TCFD-aligned disclosure</b>               | Introductory course (c. two sessions) on corporate TCFD disclosure    | Companies beginning TCFD – aligned disclosure | Experienced preparers / users |
| <b>Course on corporate sustainability professionals</b> | Extensive course (c. one semester) on corporate sustainability issues | Executives and would-be executives            | Educational institutions      |
| <b>Senior management forum</b>                          | Opportunities for dialogue of senior management                       | Corporate senior management                   | Existing fora                 |