
FY2021 TCFD Consortium Member Survey Result

August 31, 2021

TCFD Consortium Secretariat



List of Questions (questions listed in the published version is in red)

| Question | Financial institutions | Non-financial institutions |
|-------------|---|--|
| Question 3 | <ul style="list-style-type: none"> What motivated your company to join the TCFD Consortium? | |
| Question 4 | <ul style="list-style-type: none"> How is your company responding to the TCFD recommendations? When did your company first disclose information in response to the TCFD recommendations? What year was the first year of disclosure? If not, please answer when your company intends to disclose. (select one) | |
| Question 5 | <ul style="list-style-type: none"> To companies which responded "a." to "d." in question 4 (those who have already disclosed). Please indicate any specific issues you would like investors to evaluate regarding your company's disclosure. (comment field) * Optional | |
| Question 6 | <ul style="list-style-type: none"> To companies which responded "a." to "d." in question 4 (those who have already disclosed). Please indicate any specific points you want investors to evaluate regarding your company's disclosure. (comment field) * Optional | |
| Question 7 | <ul style="list-style-type: none"> In the reports (Annual securities reports, integrated reports, environmental reports, websites, etc.) that your company publishes to the public, please indicate the items that have already been disclosed (multiple choice). | |
| Question 8 | <ul style="list-style-type: none"> To companies which responded "b." in question 7 regarding a scenario analysis. What is the status of your company's scenario analysis disclosure? (select one) | |
| Question 9 | <ul style="list-style-type: none"> To companies which responded to question 8. What resources or information did your company use to perform the scenario analysis? | |
| Question 10 | <ul style="list-style-type: none"> What were the benefits of TCFD and information disclosure? Or what benefits do you expect? Choose from the following options to approximate the situation in your company. | |
| Question 11 | <ul style="list-style-type: none"> Please tell us about your company's approach to carbon pricing. The Japanese government has initiated discussions on introduction of carbon pricing. In regard to the reference for determining the price of carbon used for your company's scenario analysis, please choose from the following. (one or multiple choice) | |
| Question 12 | <ul style="list-style-type: none"> How does your company view the introduction of carbon pricing (Carbon tax, emissions trading, credit trading, border adjustment measures, etc.) for long-term decarbonization? (comment field) * Optional | <ul style="list-style-type: none"> Does your company procure certificates and credits to offset direct and indirect emissions to decarbonize over the long term, for the purpose of adding value to your products and services? (Select one) |
| Question 13 | <ul style="list-style-type: none"> How does your company think about disclosing the status of procuring certificates and credits as part of disclosing strategies for long-term decarbonization? (comment field) *Optional | <ul style="list-style-type: none"> To companies which responded "a." or "b." in Question 12, please respond to Question 13. Please indicate the certificate or credit your company have already procured or are considering procuring in the future? (comment field) *Optional |
| Question 14 | <ul style="list-style-type: none"> What sort of media does your company use to obtain information on the companies in which you invest and lend to? (multiple choice) | <ul style="list-style-type: none"> How does your company view the introduction of carbon pricing (Carbon tax, emissions trading, credit trading, border adjustment measures, etc.) for long-term decarbonization? (comment field) * Optional |
| Question 15 | <ul style="list-style-type: none"> Please specify the utilization status of the TCFD-based disclosure information of the investee company? (multiple choice) | <ul style="list-style-type: none"> How often does disclosure of climate information become a topic of dialogue (engagement) with financial institutions including investors? (select one) |
| Question 16 | <ul style="list-style-type: none"> With respect to your company's climate-related engagement with investee companies. On what issues does your company focus most on engagement? (multiple choice) | <ul style="list-style-type: none"> To companies which responded a., b., or c. in question 15, what questions was your company asked during the dialogue (engagement) with financial institutions, etc? (multiple choice) |
| Question 17 | <ul style="list-style-type: none"> What issues do you see when engaging with companies about climate change? (multiple choice) | <ul style="list-style-type: none"> Companies are considering various ways to decarbonize by using finance, though the transition to decarbonization requires large funds. In such an environment, please select from the following the most desirable measures for adequate public support for a decarbonized society (select one). |
| Question 18 | <ul style="list-style-type: none"> Does your company analyze GHG emissions from your investment and loan portfolio and set targets? (select one) | <ul style="list-style-type: none"> There is a growing trend toward transition financing to support companies moving toward decarbonization. What is your company's view on transition finance? (select one) |
| Question 19 | <ul style="list-style-type: none"> If there are any activities or requests that the TCFD Consortium should engage in, please feel free to mention them. *optional | |

Summary of Survey Results

- The number of TCFD disclosures has **increased rapidly since FY2019** and **is expected to increase due to compliance with CG code* revisions.** (p3) The percentage of companies that feel the benefits of TCFD approval and disclosure has increased. Particularly, an increasing number of respondents indicated that disclosure helped improve their relationships with customers, **suggesting that disclosure is becoming essential for the supply chain.**(p. 6-7)
- With an aim for decarbonization, **approximately 70% of companies have procured credits or certificates or are considering procurement.** In Japan, discussions on utilizing and disclosing such credits and certificates will continue in the future. (p.9)
- **Interest in transition finance is high, and there is a strong demand for investment reduction measures such as subsidies, tax breaks, and low-interest loans (the government started initiatives for these measures this fiscal year).** (p. 16)
- Regarding engagement, financial institutions are particularly interested in information beyond formalistic disclosure, based on **materiality** and **consistency with business and management strategies.** (p. 19)
- 30% of financial institutions have set targets for GHG emissions from their investment and loan portfolios, and **more than half of the financial institutions are analyzing them,** which can affect future investment and loan decisions. (p. 20).

*CG Code: Corporate Governance Code

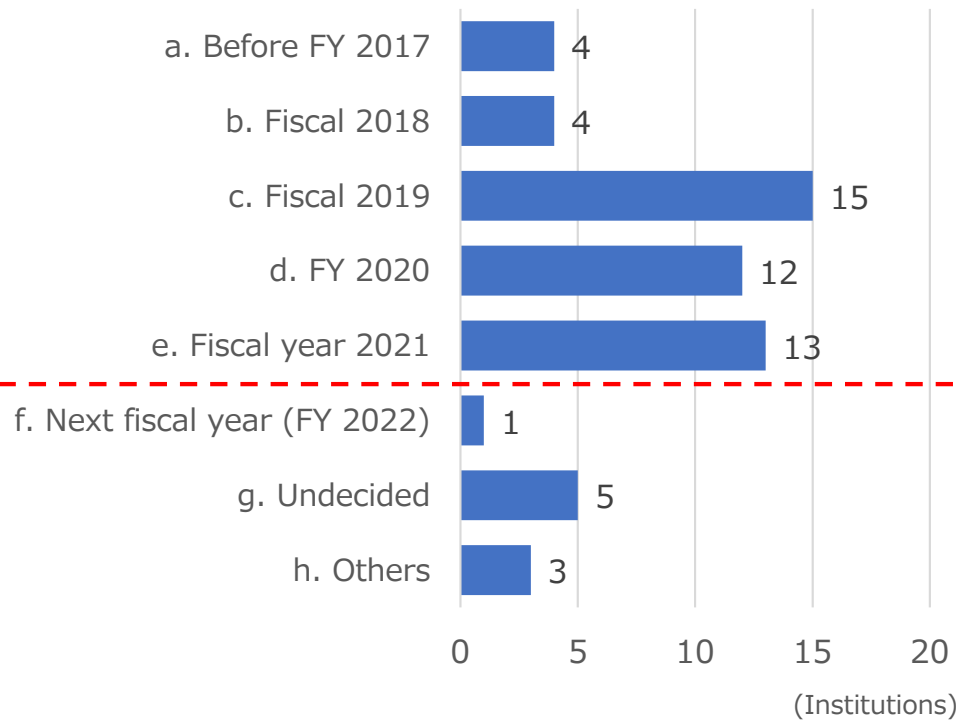
Questionnaire response status

| | Total | Financial | Non-financial |
|--|-------|-----------|---------------|
| Number of members of the TCFD Consortium | 360 | 112 | 248 |
| Number of responses to the survey | 211 | 57 | 154 |
| Response rate | 58.6% | 50.9% | 62.1% |

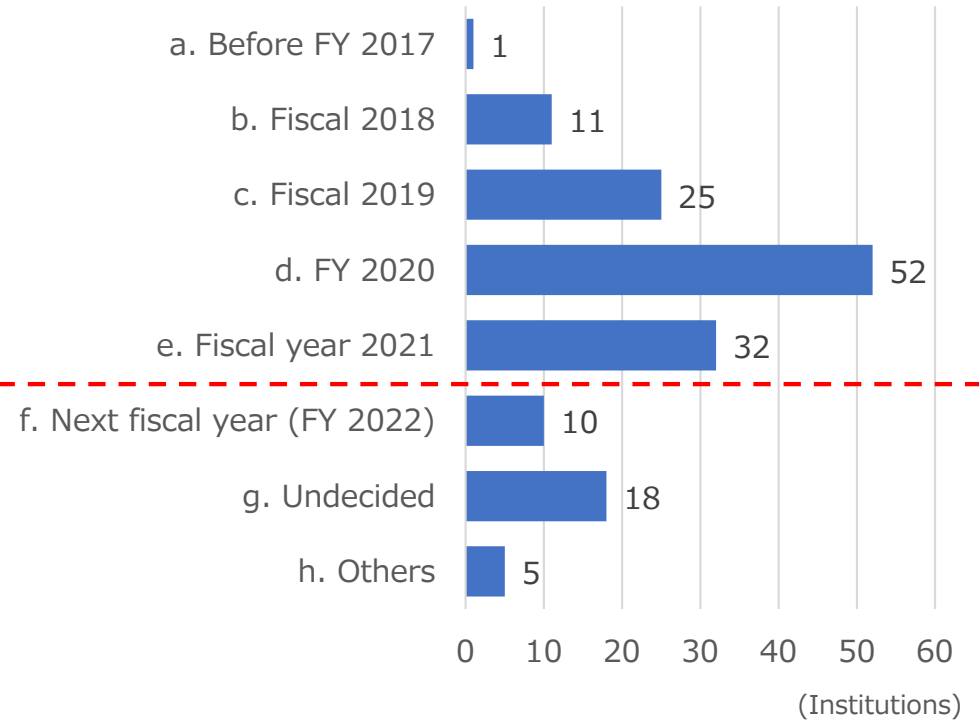
Question 4 (Financial & non-financial institutions)

- How is your company responding to the TCFD recommendations? When did your company first disclose information in response to the TCFD recommendations? What year was the first year of disclosure? If not, please answer when your company intends to disclose. (select one)

Financial institutions (57 respondents)



Non-financial institutions (154 respondents)

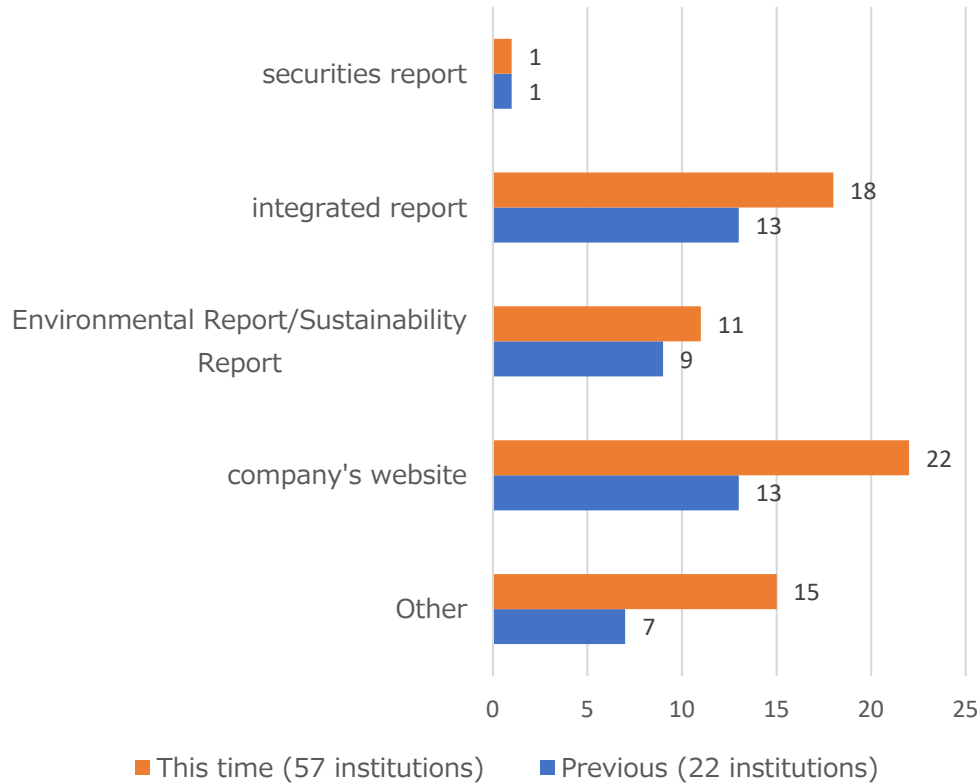


- Regarding the timing of TCFD disclosure, the year with the highest no. of disclosure is FY2020 (64 institutions), followed by FY 2021 (45 institutions). **More companies will disclose TCFD-based information in response to the revised CG Code.**
- In addition, a number of companies (23 institutions) respond that they are undecided, most of which are unlisted companies or industry associations.

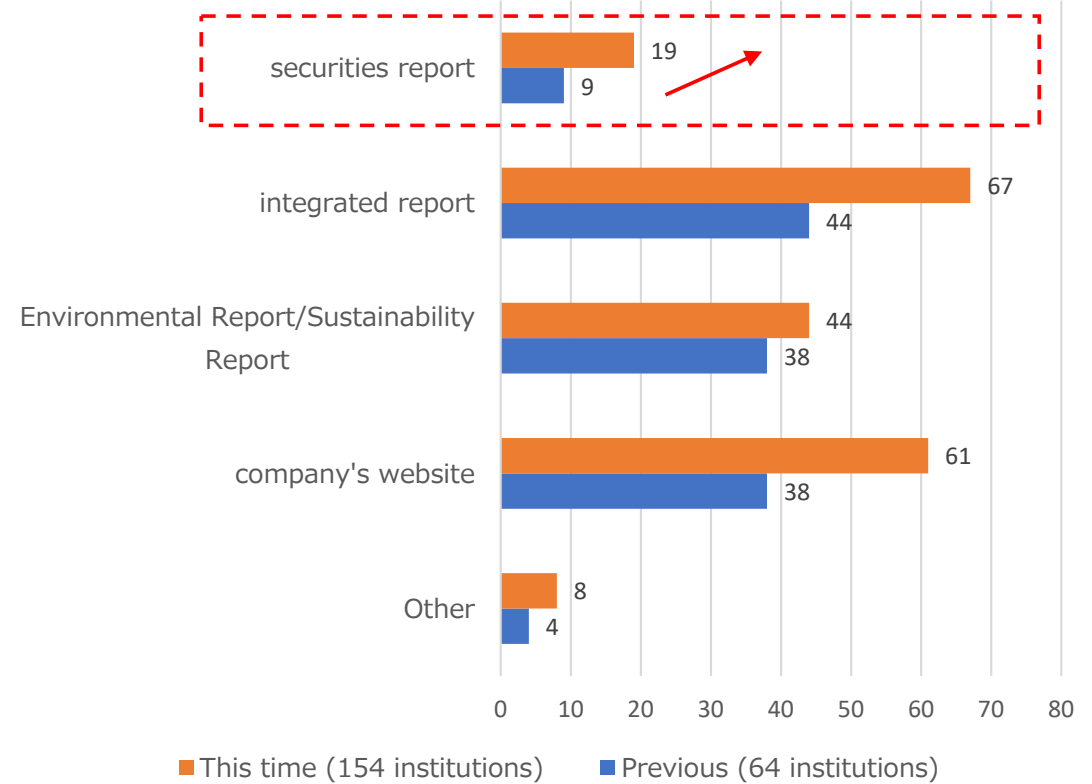
Question 5 (Financial & non-financial institutions) Year-on-year Analysis

- To companies which responded "a." to "d." in question 4 (those who have already disclosed). Please indicate any specific issues you would like investors to evaluate regarding your company's disclosure. (comment field) * Optional

Financial institutions



Non-financial institutions

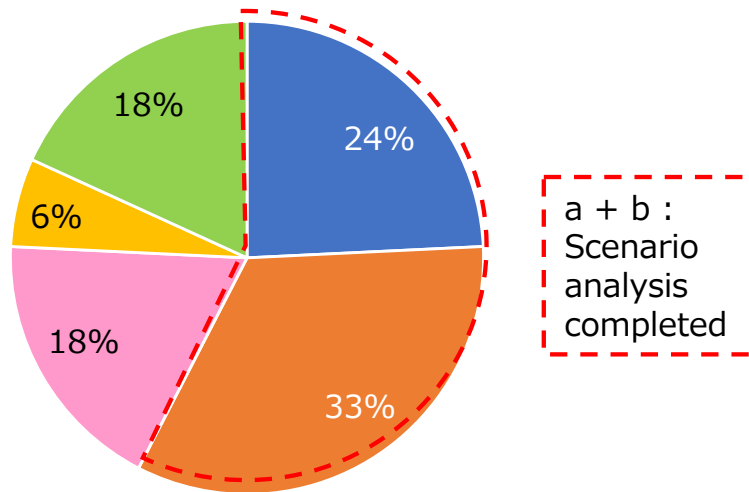


- The trend to use Integrated Reports, Sustainability Reports, and corporate websites as the primary disclosure medium has not changed.
- Among non-financial institutions, companies selecting **Security Reports as a medium for TCFD-based disclosure** have increased **from 9 institutions to 19 institutions** compared to the previous survey.

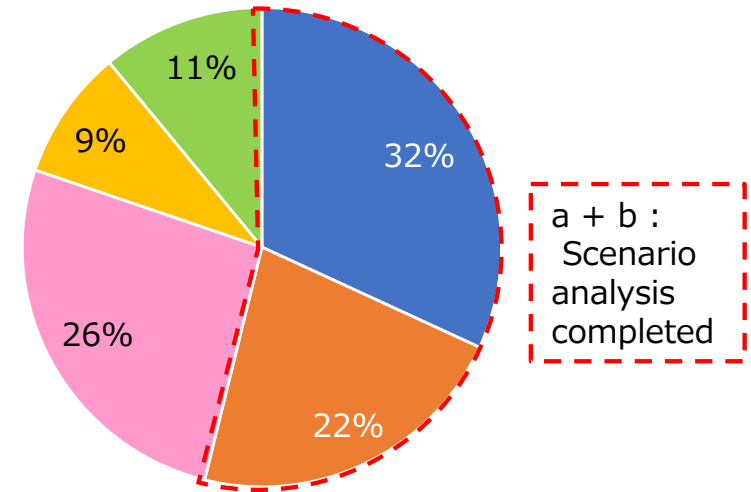
Question 8 (Financial & non-financial institutions)

- To companies which responded "b." in question 7 regarding a scenario analysis. What is the status of your company's scenario analysis disclosure. (select one)

Financial institutions (33 respondents)



Non-financial institutions (91 respondents)



a. Both qualitative and quantitative analyses were disclosed.

b. Only qualitative analysis is disclosed. Quantitative analysis has been performed internally, but not disclosed

c. Only qualitative analysis is disclosed. Quantitative analysis under consideration

d. Only qualitative analysis is disclosed. Quantitative analysis is not performed at present.

e. Qualitative analysis only, but not disclosed

a. Both qualitative and quantitative analyses were disclosed.

b. Only qualitative analysis is disclosed. Quantitative analysis has been performed internally, but not disclosed

c. Only qualitative analysis is disclosed. Quantitative analysis under consideration

d. Only qualitative analysis is disclosed. Quantitative analysis is not performed at present.

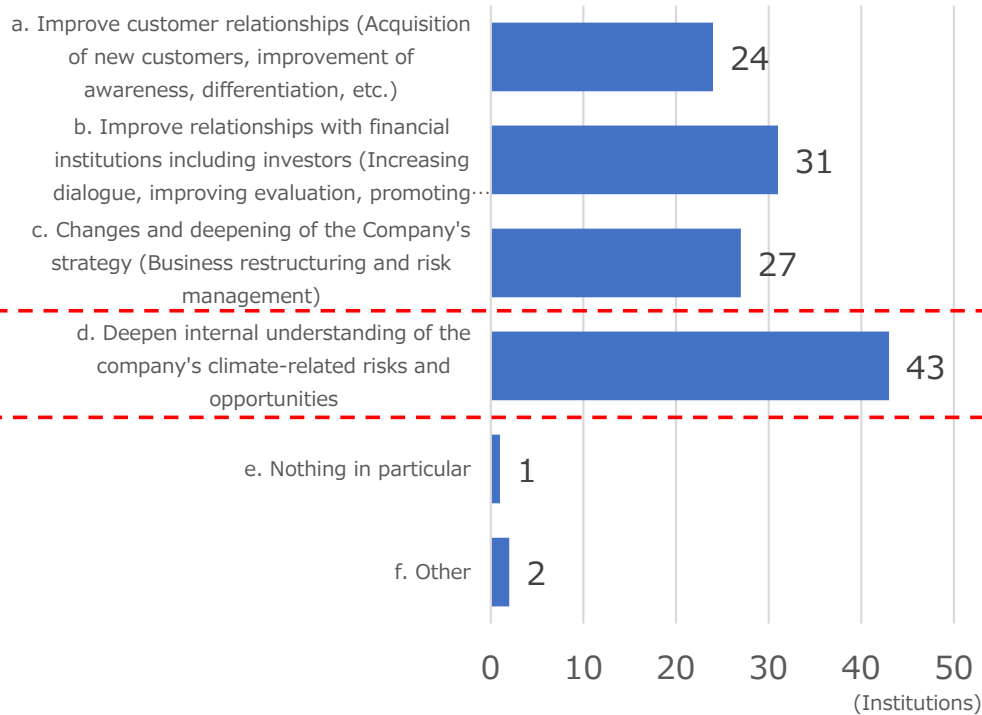
e. Qualitative analysis only, but not disclosed

- Nearly 60% of financial institutions conduct quantitative analysis. More than 50% of non-financial institutions have already done so, indicating that **more than half of the respondents have performed quantitative scenario analysis.**
- On the other hand, in terms of **quantitative analysis disclosure, non-financial institutions (32%) slightly exceeded financial institutions (24%).**

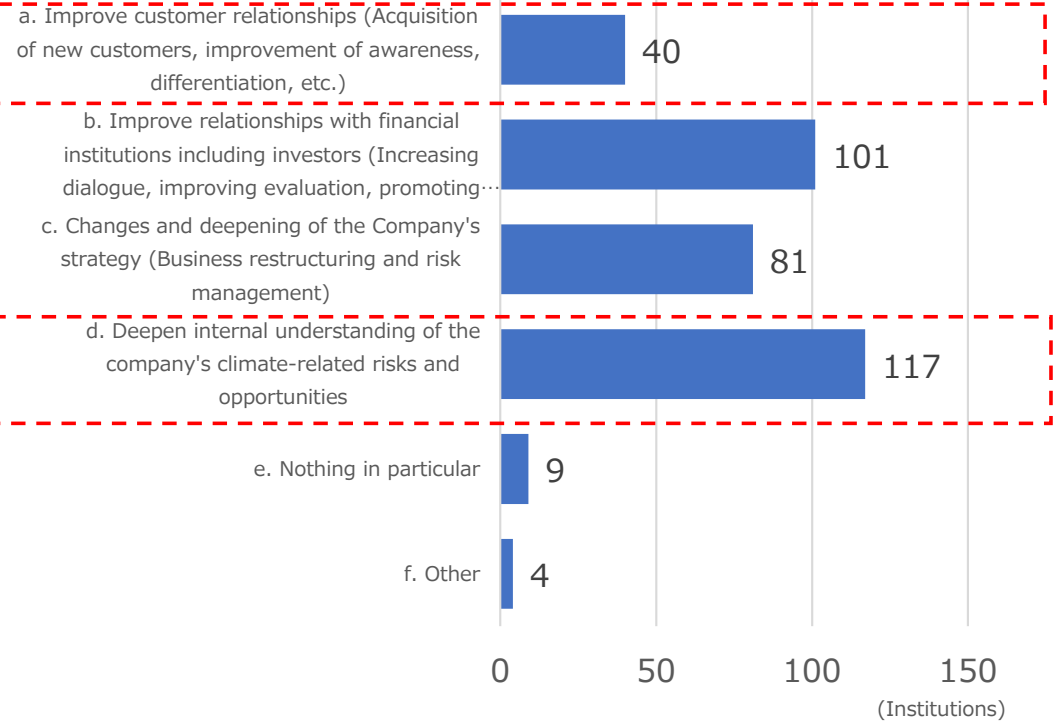
Question 10 (Financial & non-financial institutions)

- What were the benefits of TCFD and information disclosure? Or what benefits does your company expect? Choose from the following options to approximate the situation in your company.

Financial institutions (57 respondents)



Non-financial institutions (154 respondents)

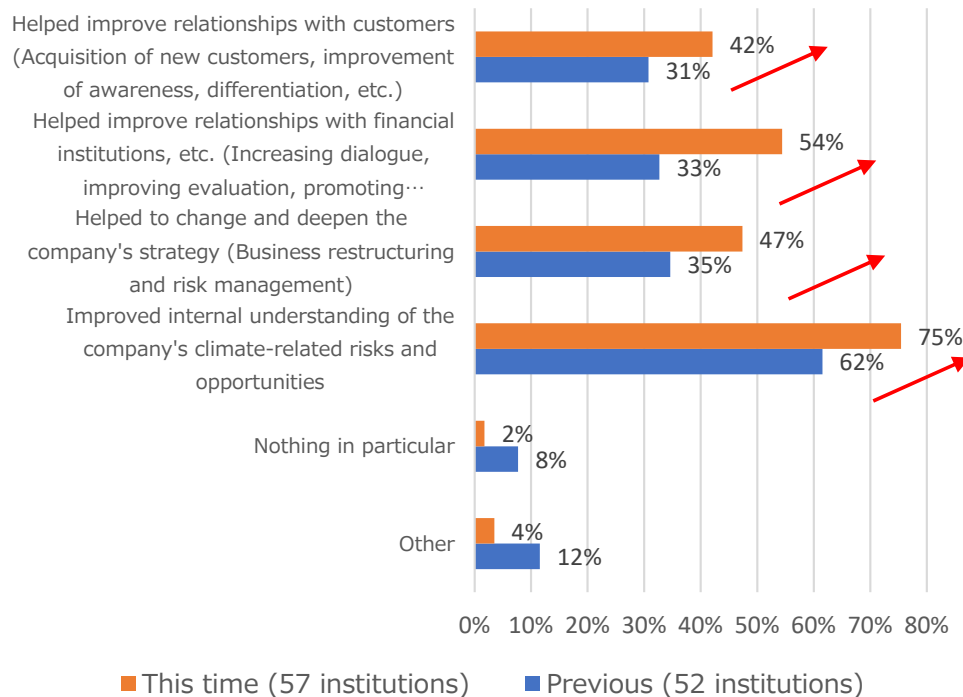


- Concerning the benefits gained from endorsing the TCFD and disclosing information, financial and non-financial institutions cited **deepening internal understanding of their climate-related risks and opportunities** as the most common response. This answer was followed by **improving relationships with financial institutions, including investors, and changing and deepening corporate strategies**.
- Among financial institutions, **improving relationships with customers** is relatively common (42% vs. 26%). However, as shown on the next page, **the proportion of this category is also increasing among non-financial institutions**.

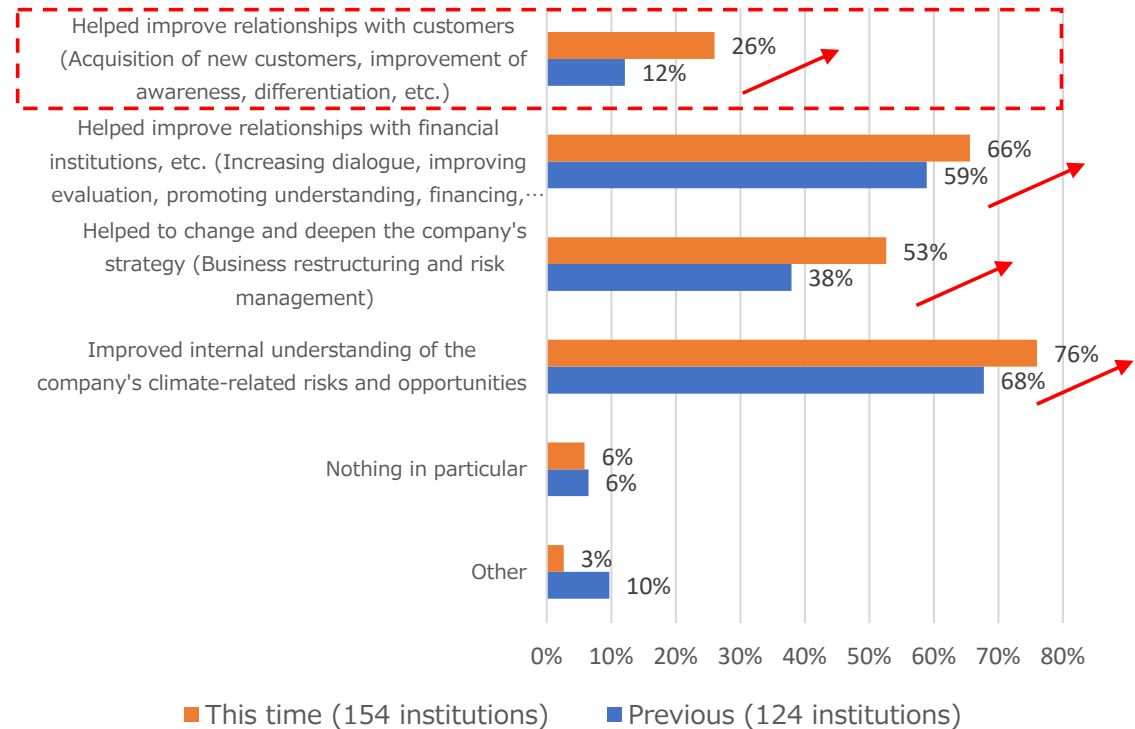
Question 10 (Financial & non-financial institutions) Year-on-year Analysis

- What were the benefits of TCFD and information disclosure? Or what benefits does your company expect? Choose from the following options to approximate the situation in your company.

Financial Institutions



Non-Financial Institutions

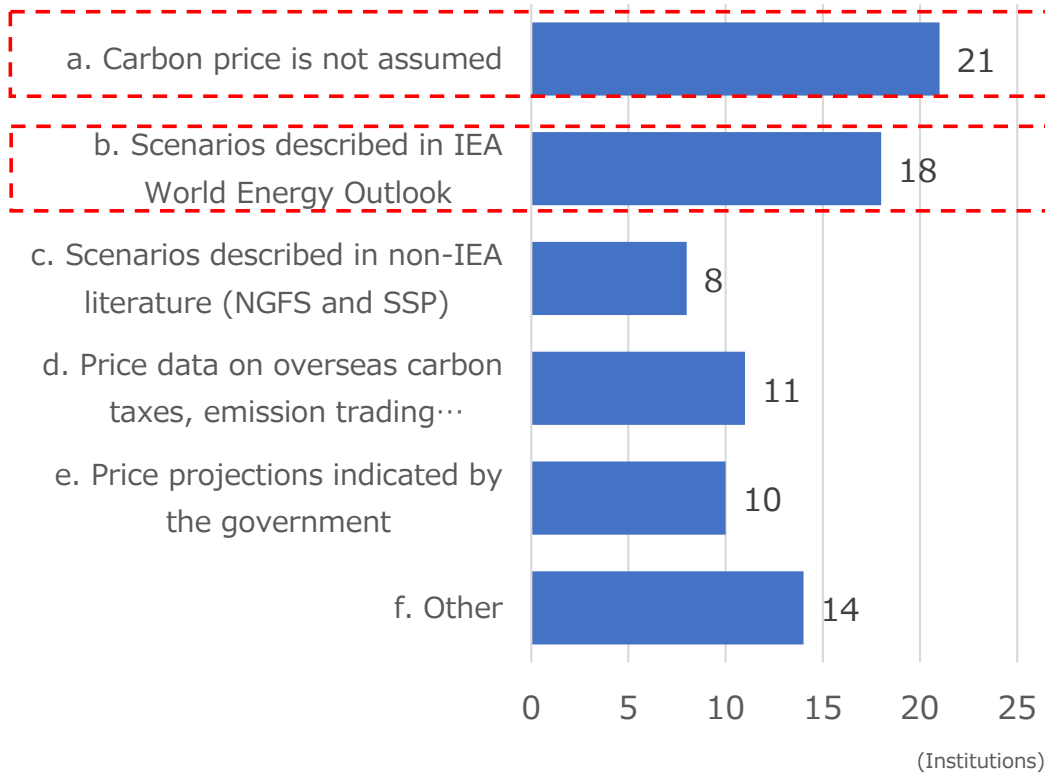


- From the year-on-year comparison, it can be seen that **an increasing number of companies feel that they have benefited from TCFD disclosure.**
- Particularly, among **non-financial institutions**, the percentage of companies which responded that disclosure **helped improve customer relations** rose significantly from 12% to 26%. **The importance of disclosure through the supply chain** may be increasing.

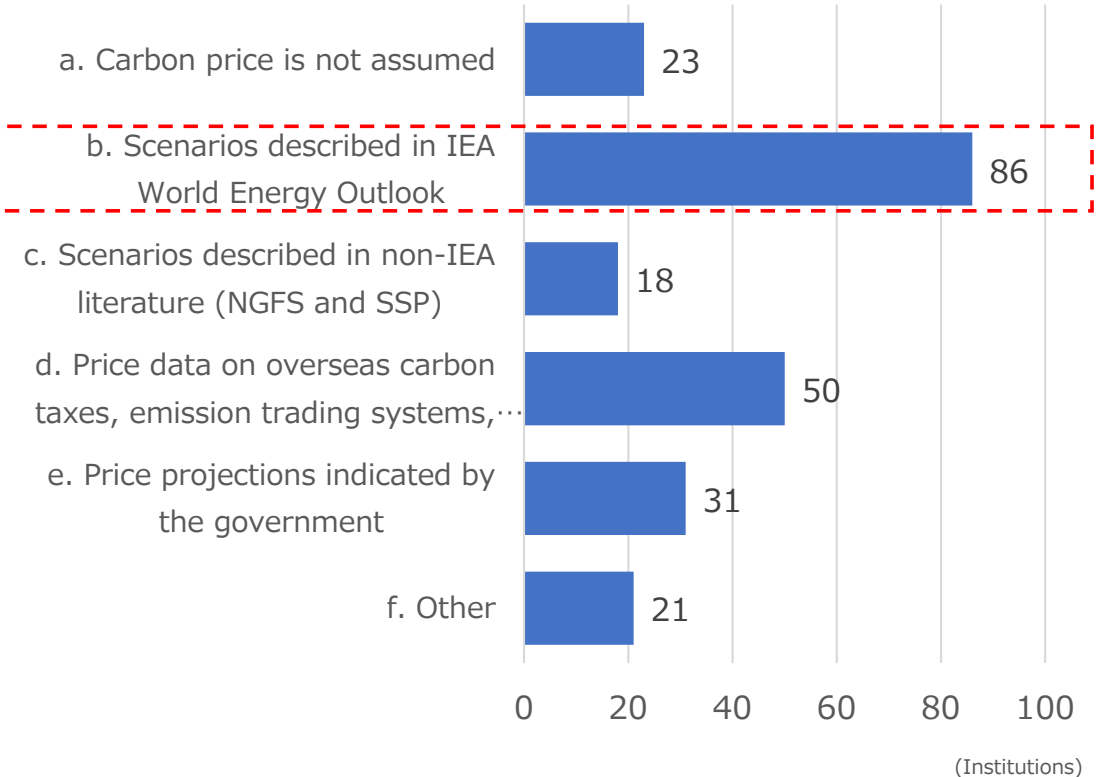
Question 11 (Financial & non-financial institutions)

- Please tell us about your company's approach to carbon pricing. The Japanese government has initiated discussions on introduction of carbon pricing. In regard to the reference for determining the price of carbon used for your company's scenario analysis, please choose from the following. (one or multiple choice)

Financial institutions (57 respondents)



Non-financial institutions (154 respondents)

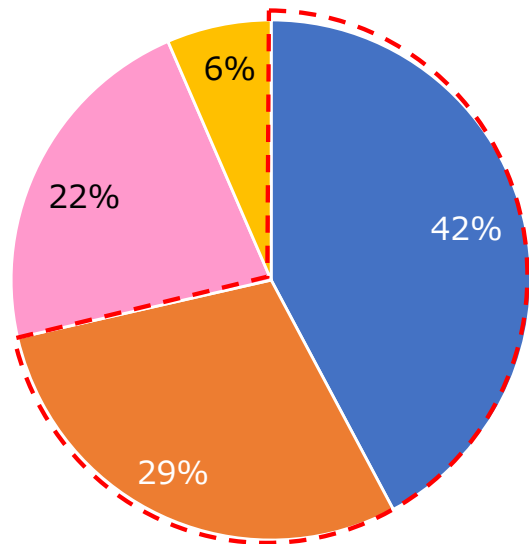


- The most frequently referenced data for carbon pricing responses were **IEA World Energy Outlook** for financial and non-financial institutions.
- On the other hand, **many financial institutions answered that they did not assume carbon prices.**

Question 12 and 13 (Non-financial institutions)

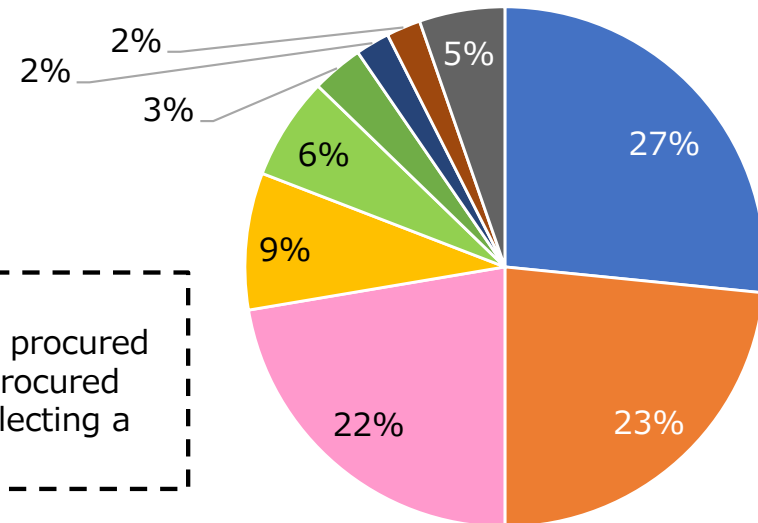
- Does your company procure certificates and credits to offset direct and indirect emissions to decarbonize over the long term, for the purpose of adding value to your products and services? (Select one)
- To companies which responded "a." or "b." in Question 12, please respond to Question 13. Please indicate the certificate or credit your company have already procured or are considering procuring in the future? (comment field) *Optional

Non-financial institutions (154 respondents)



- a. Already procured
- b. To be considered in the future
- c. We do not plan to procure

Non-financial institutions (69 respondents)



- non-fossil certificate
- J-Credit
- voluntary credit
- green power certificate
- I-REC
- REC

A summary of certificates/credits procured or planned to be procured by respondents selecting a and b.

- It was shown that **more than 40% of non-financial institutions have already procured certificates and credits for decarbonization purposes**, and **70% of respondents are planning to procure them in the future**.
- The certificates and credits that companies that have already procured or are going to procure are mainly **non-fossil certificates, J-credits and green power certificates**, and there are examples of the use of renewable power certificates from overseas such as I-REC.

Question 12 (Financial institutions), Question 14 (Non-financial institutions) Part 1

- How does your company view the introduction of carbon pricing (Carbon tax, emissions trading, credit trading, border adjustment measures, etc.) for long-term decarbonization? (comment field) * Optional

| Financial institution / Non-financial institutions | | Answer |
|--|-----------------------------------|---|
| Financial institutions | Concern | <ul style="list-style-type: none"> ● Consideration should be given so as not to damage the financial resources of the Transition. |
| | Information gathering | <ul style="list-style-type: none"> ● We pay close attention to international and domestic trends. |
| | Evaluation | <ul style="list-style-type: none"> ● It is necessary to think about promoting climate change measures fairly. |
| | | <ul style="list-style-type: none"> ● It is an important policy to make reduction measures economically rational. |
| | | <ul style="list-style-type: none"> ● It is the most important policy for promoting reductions in line with the Paris Agreement. |
| | | <ul style="list-style-type: none"> ● We see it as a business opportunity as well as a business risk. |
| | Requests for institutional design | <ul style="list-style-type: none"> ● This is an international trend, and Japanese companies need to consider medium- to long-term measures. |
| | | <ul style="list-style-type: none"> ● It is hoped that the system will be appropriate in line with the actual situation in Japan. |
| | | <ul style="list-style-type: none"> ● Quantitative impact analysis should also be activated in Japan. |
| | Countermeasure | <ul style="list-style-type: none"> ● The introduction of the system is inevitable, but it requires strategic institutional design. |
| | | <ul style="list-style-type: none"> ● When it is introduced, the utilization of certificates, credits, etc., will be examined. |
| | Status of utilization | <ul style="list-style-type: none"> ● Engagement is a crucial theme because it has a significant impact on some investments. |
| | | <ul style="list-style-type: none"> ● Analysis results related to carbon pricing are utilized for investment decisions, engagement, etc. |

Question 12 (Financial institutions), Question 14 (Non-financial institutions) Part 2

| Financial institution / Non-financial institutions | | Answer |
|--|---|---|
| Non-financial Institutions | Concerns | ● The burden of calculation is of concern . |
| | | ● There is a fear of hindering innovation by depriving funds for technology development and capital investment. |
| | | ● In the situation where the development of credits, etc., has not progressed, there is anxiety about introduction . |
| | | ● This will significantly impact people's lives and industrial competitiveness, and careful discussion is required. |
| | | ● It can be detrimental to industrial competitiveness . |
| | Attention to trends | ● We are closely monitoring domestic and international trends, including border adjustment measures. |
| | | ● We are gathering information for the introduction of internal carbon pricing. |
| | Awareness of the need | ● Toward the realization of a decarbonized society, We are vewing this positively . |
| | | ● It is an international trend and recognizes that it is inevitable in maintaining global competitiveness . |
| | Requests for institutional design | ● The system should be fair and transparent internationally. |
| | | ● Reasonable pricing is essential, and there are concerns about relying solely on market principles . |
| | | ● It is important to ensure transparency in how tax revenues are used . |
| | | ● A fair system in which the efforts of domestic companies lead to improved competitiveness is required with global competition in mind. |
| | | ● There is a need for consistency with the petroleum and coal tax and the FIT levy. |
| | | ● We hope for a streamlined institutional design . |
| | | ● Policy that matches the characteristics of each industry is required. |
| | Counter-measure | ● It is requested to expand incentives such as subsidy systems for R & D and investment. |
| | | ● A quantitative assessment of the financial impact of the introduction is in progress. |
| | Utilisation method | ● Sufficient lead time is required if it is to be implemented. |
| | | ● Internal carbon pricing is introduced and used for capital investment decisions. |
| | ● We are considering using it as a tool to evaluater future business portfolio. | |

- While some expressed concern about the **introduction of carbon pricing**, many financial and non-financial institutions already expect to introduce carbon pricing. **There was a widespread view that carbon pricing was an option.**
- With this in mind, there were views that improvements in accuracy, the establishment of a preparatory period and the impartiality of burdens among countries should be considered.

Question 13 (Financial institutions)

- How does your company think about disclosing the status of procuring certificates and credits as part of disclosing strategies for long-term decarbonization? (comment field) *Optional

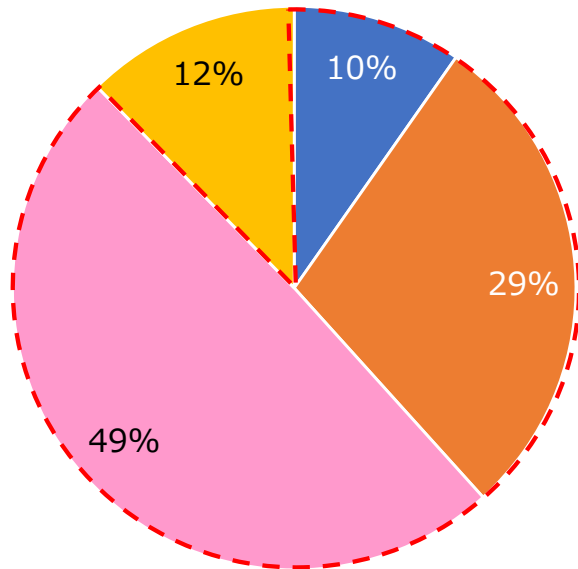
| Financial institution / Non-financial institutions | Classification | Answer |
|---|-----------------------------------|---|
| Financial institutions | Awareness of the need | <ul style="list-style-type: none"> It is recognized as a significant action by the investee company to achieve the reduction target. |
| | | <ul style="list-style-type: none"> This is an essential issue in promoting reductions consistent with the Paris Agreement, and improvements related to disclosure should be encouraged. |
| | | <ul style="list-style-type: none"> To achieve carbon neutrality, it is desirable to promote disclosure actively. |
| | Requests for institutional design | <ul style="list-style-type: none"> The broadening of the scope of the disclosure is welcome in its proposition so as not to impose a burden on the disclosing side. |
| | | <ul style="list-style-type: none"> In the case of disclosure, clarification of disclosure rules is essential. |
| | Concern | <ul style="list-style-type: none"> The procurement of certificates and credits cannot be construed as a meaningful decarbonization strategy. |
| <ul style="list-style-type: none"> We are opposed to mandatory disclosure; disclosure should be left to the discretion of the disclosing party. | | |

- For financial institutions, disclosure of the status of procurement of certificates and credits is **an important initiative to achieve reduction targets and requests for clarification and development of disclosure rules**, though some expressed concern about disclosure requirements.

Question 15 (Non-financial institutions)

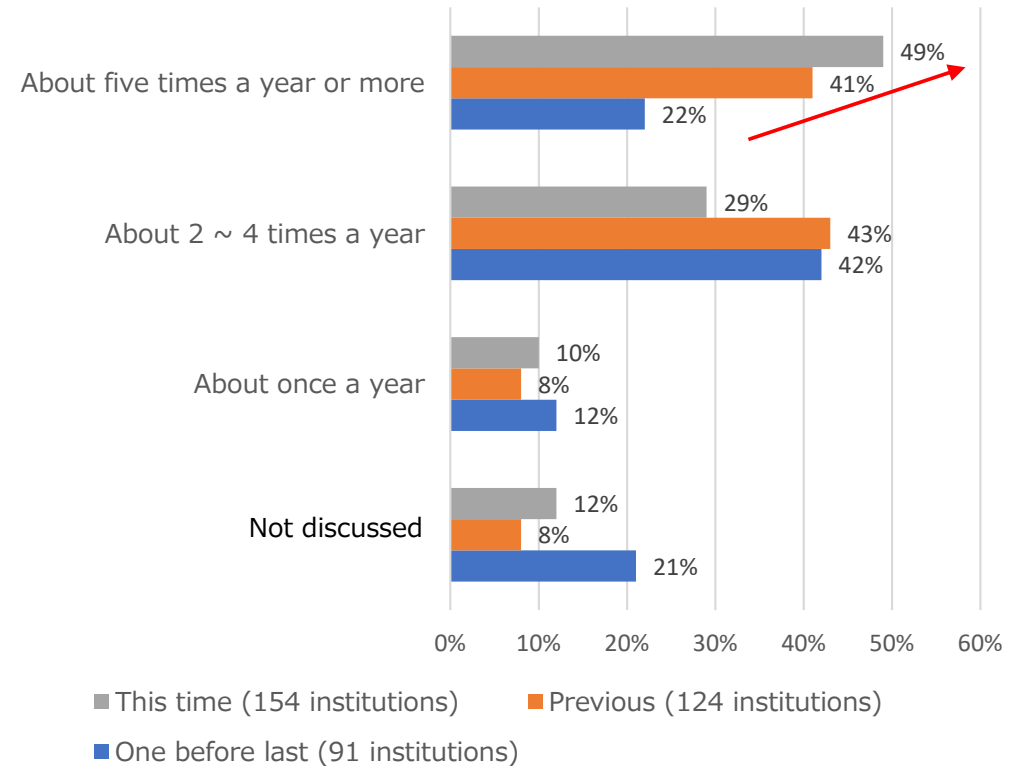
- How often does disclosure of climate information become a topic of dialogue (engagement) with financial institutions including investors? (select one)

Non-financial institutions (154 respondents)



- a. About once a year
- b. About twice to four times a year
- c. Five times a year or more

Year-on-year Analysis

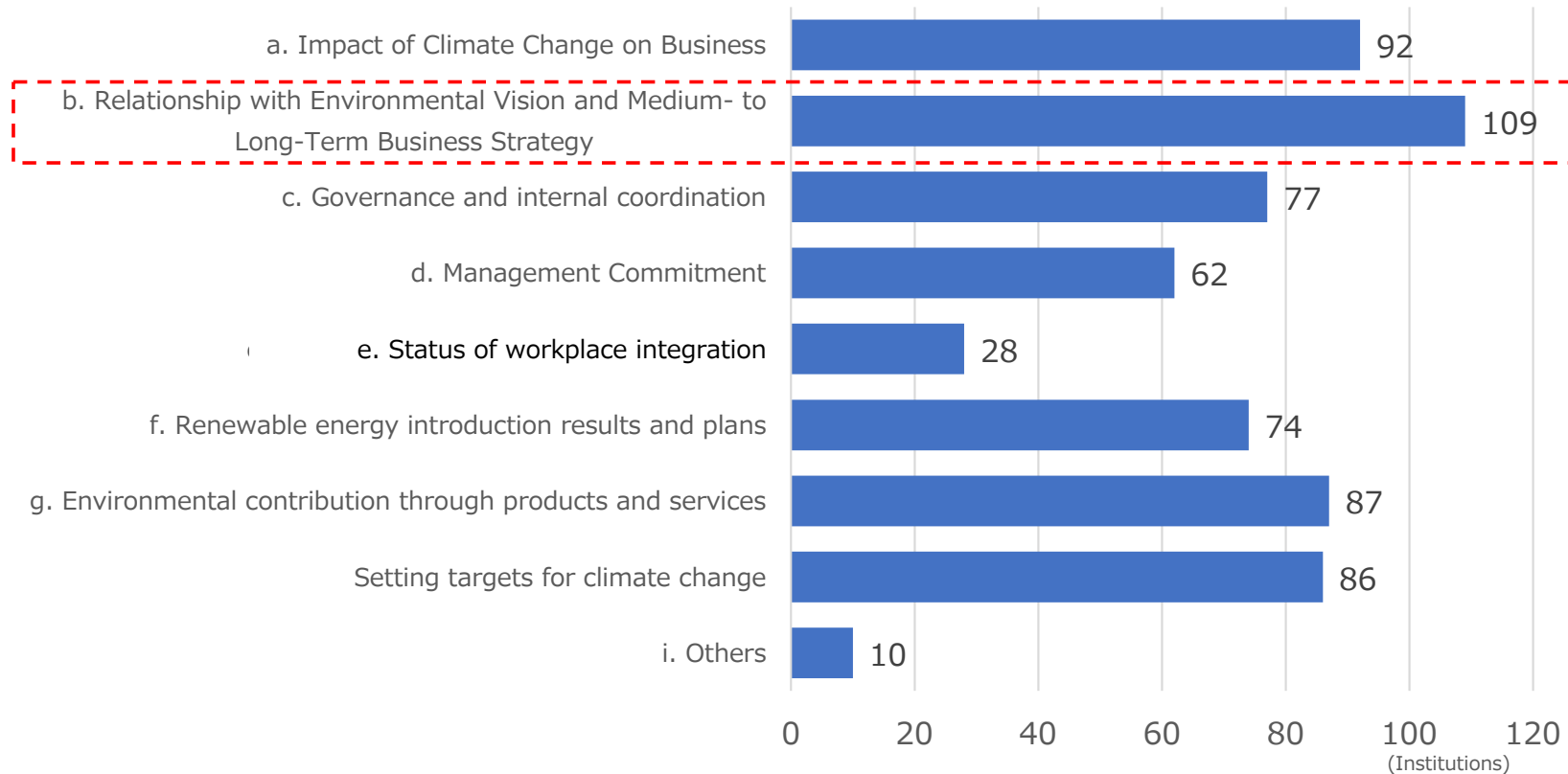


- The largest frequency that non-financial institutions engage with financial institutions is **at least five times a year**. Around 90% of the enterprises responded that climate change is brought up during engagement.
- The time-series analysis showed that the percentage of respondents who **answered discussed five times a year** rapidly increased. **The frequency that climate-related disclosures are discussed in engagement is rising.**

Question 16 (Non-financial institutions)

- To companies which responded a., b., or c. in question 15, what questions was your company asked during the dialogue (engagement) with financial institutions, etc? (multiple choice)

Non-financial institutions (134 respondents)

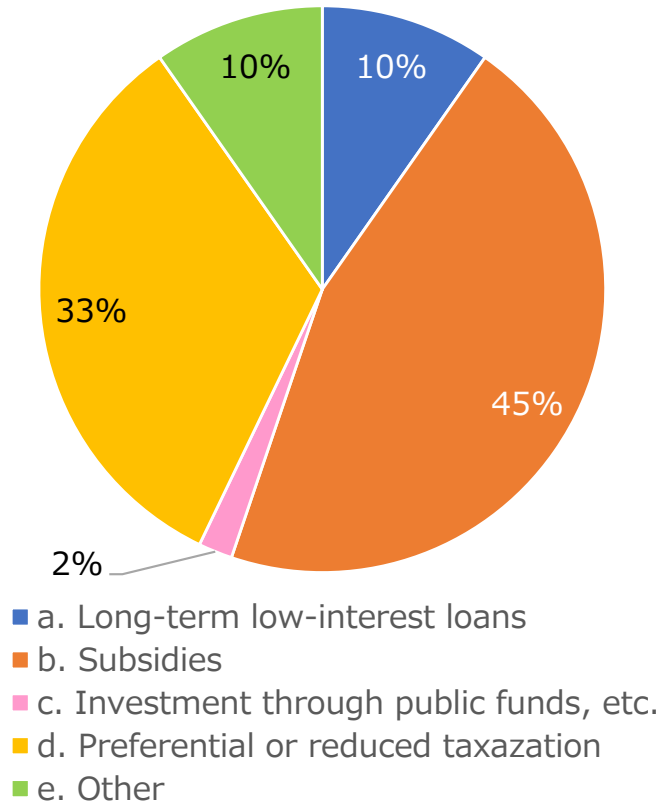


- Frequently asked question in the dialogue with financial institutions include "Relationship with Environmental Vision and Medium- to Long-term Business Strategy," suggesting that the relationship between company-wide strategy and climate-related information is the most critical factor in engagement.

Question 17 (Non-financial institutions)

- Companies are considering various ways to decarbonize by using finance, though the transition to decarbonization requires large funds. In such an environment, please select from the following the most desirable measures for adequate public support for a decarbonized society (select one).

Non-financial institutions (154 respondents)

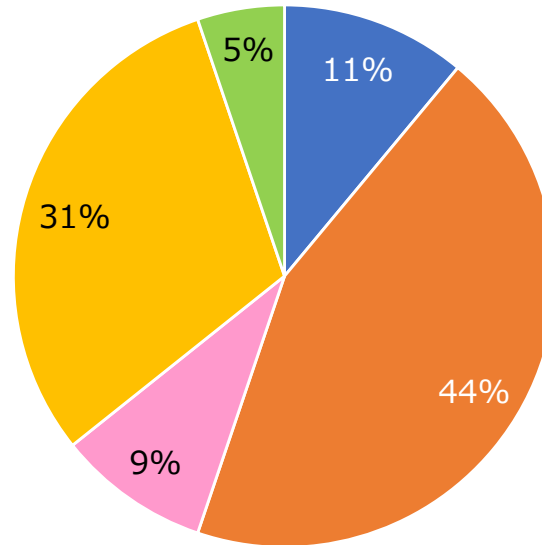


- For non-financial institutions, most of the respondents believed that the desirable support for decarbonization would be **subsidies**, which accounted for **about half** of the respondents.
- This is followed by **preferential or reduced taxation** (1/3 of respondents). When the two were combined, **nearly 80% of respondents want a supporting measure that reduces the investment burden in some way.**

Question 18 (Non-financial institutions)

- There is a growing trend toward transition financing to support companies moving toward decarbonization. What is your company's view on transition finance? (select one)

Non-financial institutions (154 respondents)



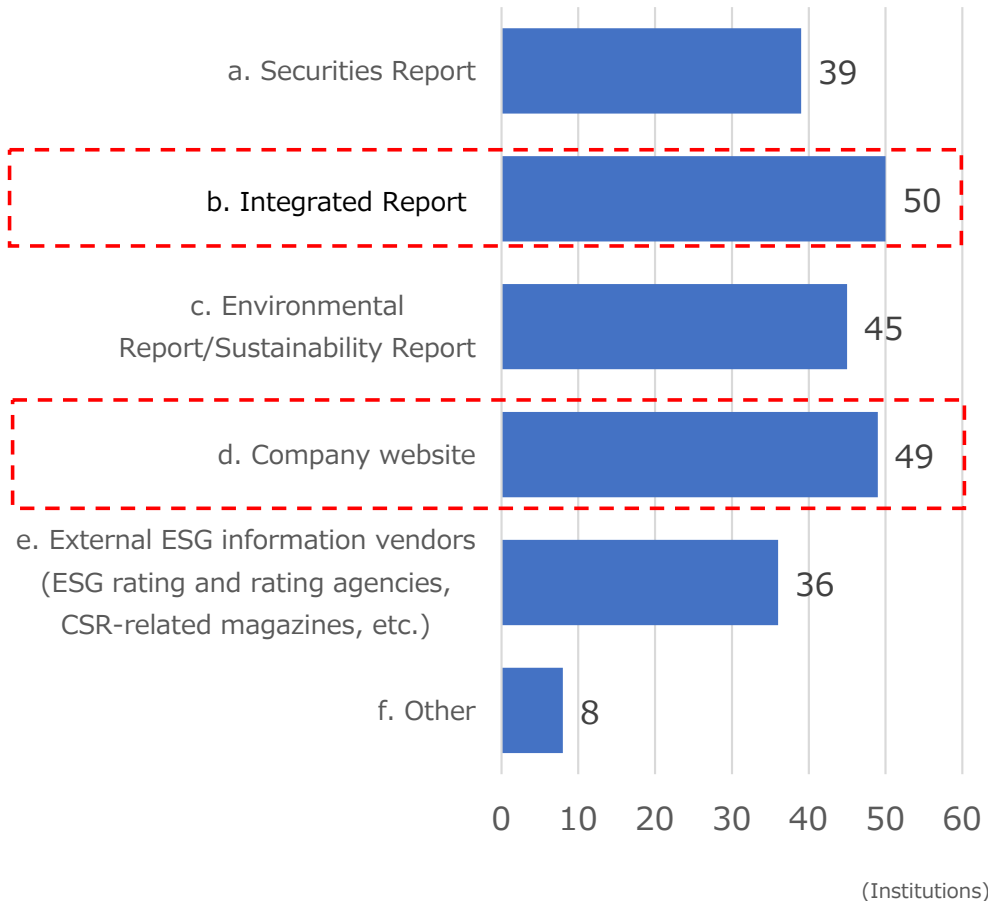
- a. No particular interest
- b. Interested and would consider in the future
- c. Interested and specifically considered
- d. Insufficient information to make judgment
- e. Other

- In terms of interest in transition finance, **majority of companies are either interested and would consider in the future, or are considering more specifically.**
- Industries which expressed interest in transition finance survey include high-emission industries. On the other hand, the response "there is not enough information to make a judgment" accounted for about 30%, indicating that the concept is still in its infancy.

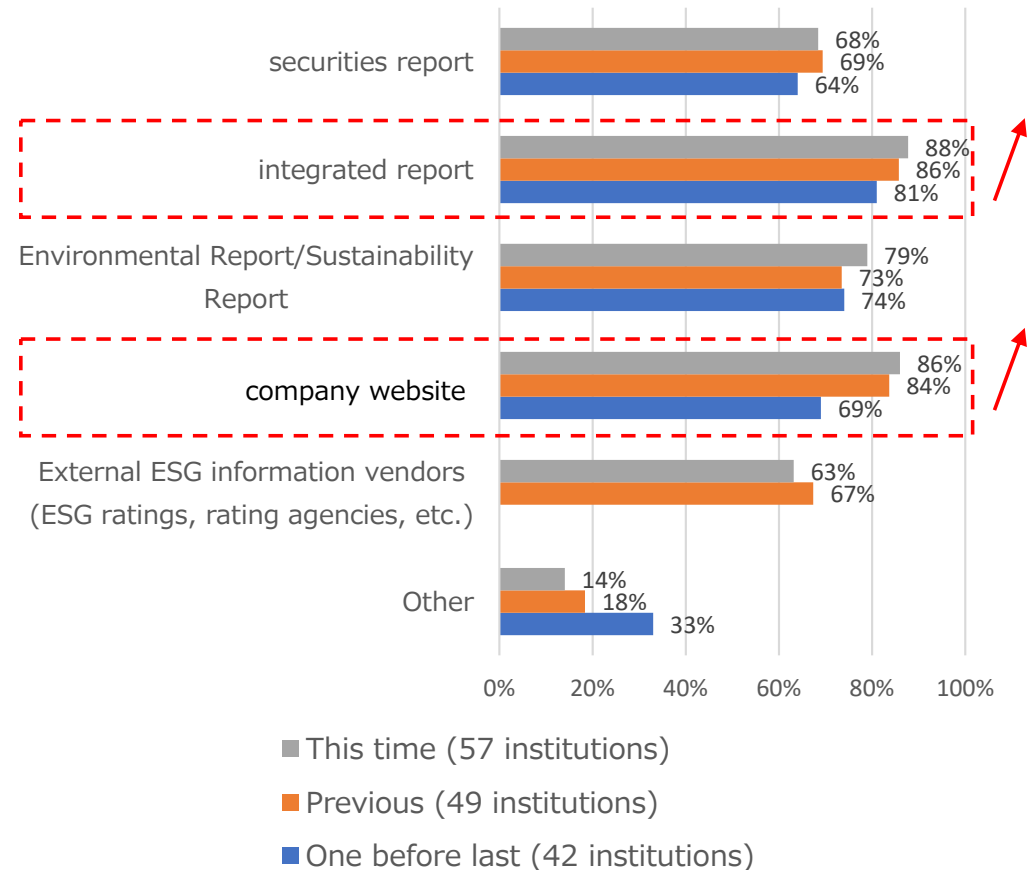
Question 14 (Financial institutions)

- What sort of media does your company use to obtain information on the companies in which you invest and lend to? (multiple choice)

Financial institutions (57 respondents)



Year-on-Year Comparison

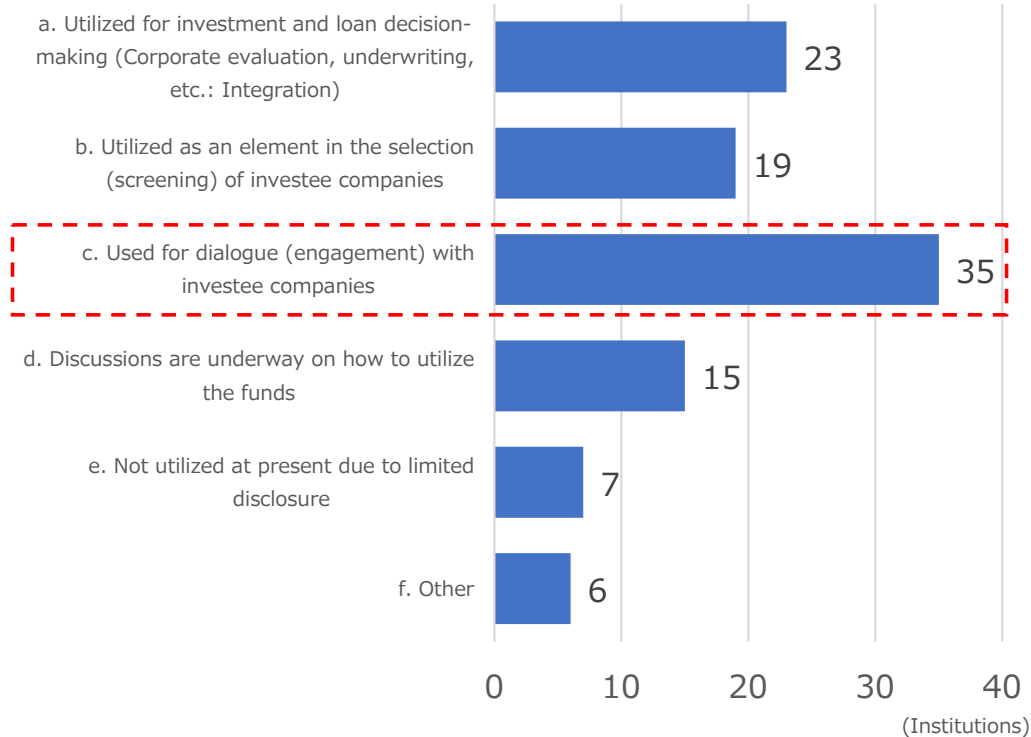


- Media used most frequently by financial institutions as a source of disclosed information are **integrated reports** and **company websites**.
- Time series analysis also showed that **the utilization of these two media is high and experiencing an increasing trend.**

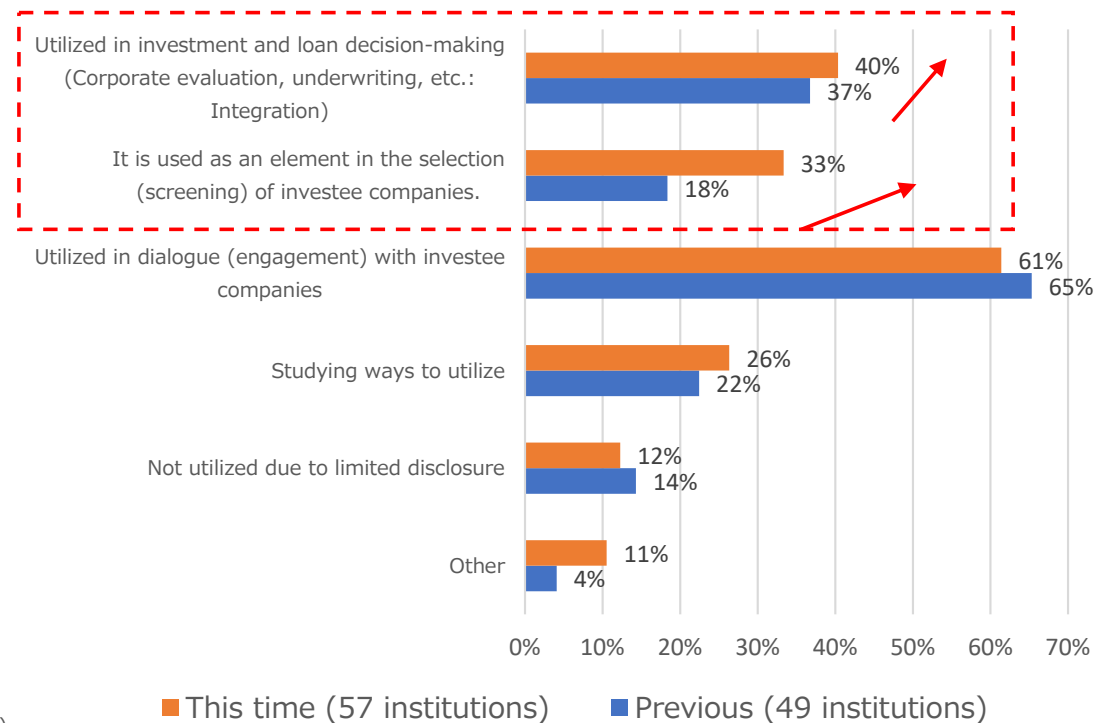
Question 15 (Financial institutions)

- Please specify the utilization status of the TCFD-based disclosure information of the investee company? (multiple choice)

Financial institutions (57 respondents)



Year-on-year Comparison

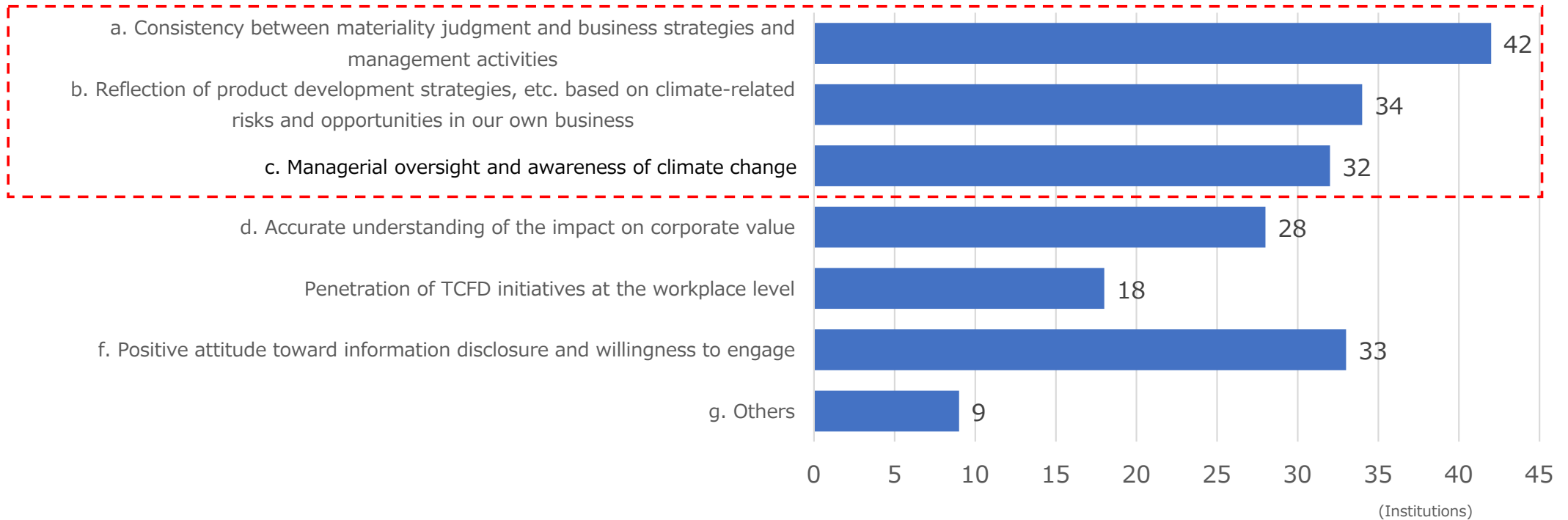


- The most frequent response on utilization of TCFD-based disclosure information, given by **more than 60%**, is **utilizing the data for dialogue (engagement) with investee companies**.
- However, from the time series, it can be seen that the number of financial institutions which considers TCFD-based disclosure information as an element of the investment and loan process is gradually increasing, as seen in **decision-making (integration) in investment and loan**, and **selection (screening) of investment and loan to companies**.

Question 16 (Financial institutions)

- With respect to your company's climate-related engagement with investee companies. On what issues does your company focus most on engagement? (multiple choice)

Financial institutions (57 respondents)

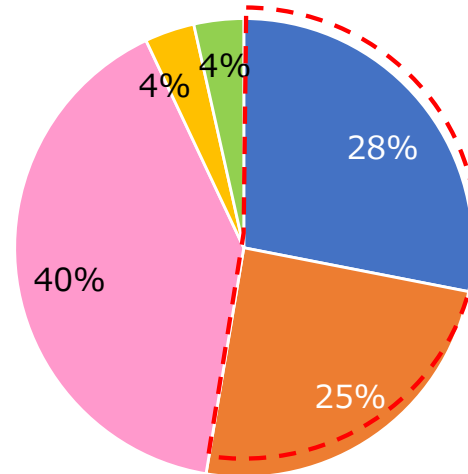


- More than 70% of the financial institutions that responded answered that **consistency between materiality judgment and business strategy/management activities** merits attention.
- This was followed by **reflecting climate-related risks and opportunities in our business** and **management's oversight and awareness of climate change**.
- This suggests that engagement emphasizes not only detailed aspects of climate change risks and opportunities, but their relationship with overall corporate management and strategy.

Question 18 (Financial institutions)

- Does your company analyze GHG emissions from your investment and loan portfolio and set targets? (select one)

Financial institutions (57 respondents)



- a. Target values have been set based on the analysis.
- b. Analysis is performed, but target value is not set.
- c. Analysis is under consideration.
- d. There are no plans to consider
- e. Other

- Concerning the measurement, analysis, and target setting of GHG emissions from financial institutions' portfolios, **less than 30% of respondents have disclosed established targets. However, more than half of respondents have already analyzed GHG emissions (total of options a + b) from their portfolio.**
- In addition, 40% of respondents were considering introducing portfolio analysis on GHG emissions. Taking into account international trends, the responding companies **have been studying GHG emissions from its portfolio**, and it is expected that setting targets will impact its investment and financing policies in the future.