

# Overview of the METI's TCFD guidance

- In order to realize substantial emission reduction based on the Paris Agreement, it is important to produce bold innovation and create mechanisms to secure private funds for them.
- By properly disclosing corporate efforts on climate change based on TCFD, **"the virtuous cycle between environment and economic growth"** is realized, in which investors fund the active efforts of companies and gain returns. This guidance was created to show the first step to implement disclosure based on TCFD.

## Chapter 1 (Introduction)

- The idea of considering the ESG (especially climate change) factor in long-term investment decisions has advanced, and TCFD\* published the final report in June 2017.
- This guidance boosts disclosure of companies based on TCFD **by adding commentary on the final report of TCFD.**
- It is not necessary to complete disclosure from the beginning, **it is important to start disclosure from where possible.**
- METI will **accumulate best practices for disclosure** based on TCFD and will **further revise guidance** in the future.

\*TCFD; Task Force on Climate-related Financial Disclosures

## Chapter 2 (Commentary on TCFD recommendation)

Questions on TCFD recommendations by companies and financial institutions are resolved by commentary based on the opinions of financial institutions, actual disclosure practices and discussions at the time of formulation of TCFD recommendations.

### [Explained items]

- **Media for information disclosure**
  - Material information should be disclosed in financial reports, but others can be reported in other media such as integrated reports etc.
- **Explanation of 4 themes of TCFD recommendation (governance, strategy, risk management, metrics and targets)**
  - Method of scenario analysis: Existing scenarios such as IEA's scenarios and how to analyze by referring them are introduced.
  - Methods of disclosing metrics and targets: Story-based disclosure on how they will lead to corporate value creation is recommended.
- **How to disclose in companies with different business models**
  - Disclosure according to the impact of each business models on climate change is recommended.
- **How to disclose in small and medium-sized enterprises**
  - Companies that is able to contribute to climate change should actively disclose their business opportunities.

## Chapter 3 (Sector-specific guidance)

Desirable strategies as well as recommended disclosure items for different industries with different risks and opportunities for climate change are explained.

### [Examples of recommended disclosure items]

- **Automobiles**
  - R&D of vehicles leading to emission reduction during driving phase
- **Iron and steel**
  - Efforts on improving efficiency (energy intensity) of production process
- **Chemicals**
  - Avoided emission by environmental contributing products and R&D efforts for them
- **Electrical and electronic**
  - IoT solution leading to emission reduction and development for energy saving technologies
- **Energy**
  - R&D for renewable energy and high efficiency power generation facilities