

CDP DISCLOSURE AND THE TCFD RECOMMENDATIONS: JAPAN



In 2019, 343 companies headquartered in Japan – worth over US\$ 4 trillion in market capitalization – responded to CDP’s climate change information request, which was sent to them by CDP on behalf of their investors. Below is a high-level examination into how these companies are disclosing in line with the recommendations of the Task Force for Climate-related Financial Disclosure (TCFD).

What are the TCFD recommendations?

The Task Force for Climate-related Financial Disclosure’s recommendations are structured around four thematic areas:

- ▼ **Governance:** Disclose the organization’s governance around climate-related risks and opportunities.
- ▼ **Strategy:** Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.
- ▼ **Risk Management:** Disclose how the organization identifies, assesses, and manages climate-related risks.
- ▼ **Metrics and Targets:** Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Each recommendation is further divided into 2-3 supporting recommended disclosures¹.

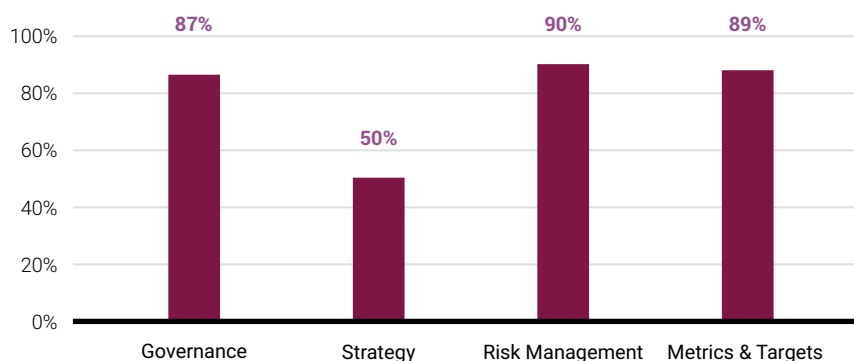
1 A large number of Japan companies are already disclosing climate-related information through CDP in a way that is aligned with the TCFD recommendations.

48% of companies provide information on all TCFD recommended disclosures through CDP. A further **36%** respond to the majority (9-10 out of 11) of the TCFD recommended disclosures.

84% are thus disclosing information on at least 80% of the recommended disclosures.

2 Companies are disclosing more comprehensively in particular areas of the TCFD recommendations

Almost all companies provide information on all the Governance, Risk Management and Metrics and Targets recommended disclosures, with fewer companies disclosing all information on Strategy. The graph below illustrates the percentage of companies who provide information on all recommended disclosures under each of the TCFD’s thematic areas.



Governance

Board Level Oversight

88% of companies have board-level oversight of climate-related risks and opportunities and provide a description thereof.

1. TCFD (2017): Final Report. Recommendations of the Task Force on Climate-related Financial Disclosures. <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>



Strategy

Risk and Opportunity Disclosure

91% of companies identify a total of 1093 risks through CDP.

90% of companies identify a total of 1003 opportunities through CDP.

Scenario Analysis

52% of companies are using climate-related scenario analysis as a strategic planning tool to explore the resilience of their business strategy. When exploring a subset of companies that consistently disclosed to CDP in 2018 and 2019, we see a 9% increase in the number of companies conducting scenario analysis.



Risk Management

Identifying, Managing and Assessing Risks

82% of companies report to CDP that they integrate climate-related risks into multi-disciplinary company-wide risk identification, assessment, and management processes.



Metrics and Targets

Climate-related Targets

94% of companies disclose at least one of the targets they set to manage climate-related risks and opportunities, and their performance against these.

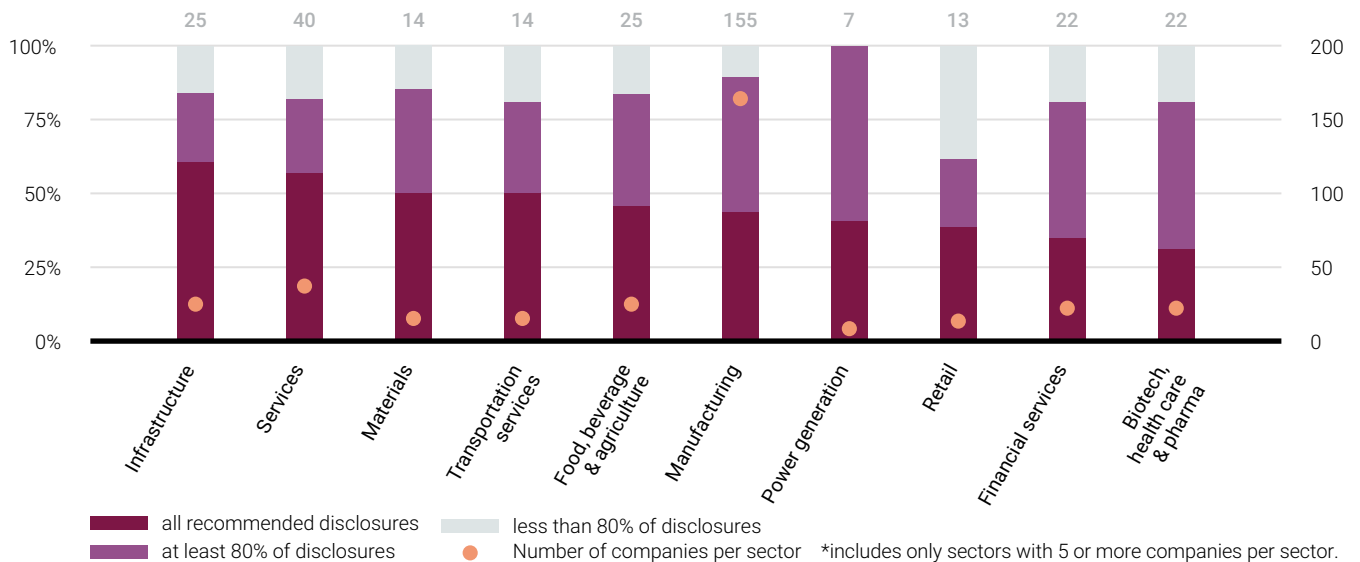
63% set absolute emission targets.

65% set emission intensity targets.

36% set other climate-related targets.

3 Some sectors are leading on TCFD-aligned disclosure through CDP.

No sector has a full disclosure rate above 50%. Financial Services and Services are leading the way with 48% and 45% of companies providing information on all TCFD recommended disclosures. Mineral extraction is at the bottom with no company disclosing on more than 80% of the recommended disclosures. Infrastructure and Services are leading the way, with 64%, 55% and 50% of companies providing information on all TCFD recommended disclosures. Sectors falling behind the curve are Retail, Financial Services and Biotech, with full disclosure rates below 40%. The graph below illustrates the sector breakdown.



CDP & the TCFD Recommendations

CDP's climate change questionnaire is aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) – a body established in 2015 by G20 Finance Ministers and Central Bank Governors within the Financial Stability Board (FSB), and its chair at the time, Mark Carney, then Governor of the Bank of England. This group is concerned with the financial stability ramifications of climate change resulting from the potential mispricing of assets and misallocation of capital.

The TCFD was created as a private sector led taskforce to develop recommendations on climate-related financial disclosures. These recommendations were made in 2017 and now the focus is on adoption of these recommendations by companies and investors. CDP provides the global platform for disclosing entities to collect and organize data and provide it in a structured form to the market. The data disclosed through the CDP platform provides the investment community with high quality, consistent, comparable, TCFD-aligned data at scale.

Methodology

CDP's climate change information request contains questions that are aligned with the TCFD's core recommendations, covering each of the TCFD's four thematic areas and 11 recommended disclosures. For this analysis, we looked at the 343 companies headquartered in Japan who responded to the CDP information request in 2019 sent on behalf of their investors. We chose this sample under the assumption that these publicly listed companies are likely to be the first to be subject to disclosure regulation.

To determine whether a company has responded to a TCFD recommended disclosure, we assessed whether companies provided any form of data in response to the 25 TCFD-aligned question and sub-questions in the CDP Questionnaire, thereby following CDP Scoring Methodology. We did not conduct any qualitative assessments of the responses. The full methodology is available upon request.

This overview complements a policy brief released in 2019, titled "Accelerating Corporate Climate Action: The Role of Policy". Find the brief, including a policy recommendation on TCFD-aligned disclosure here: <https://www.cdp.net/en/policy-and-public-affairs/policy-briefings/accelerating-corporate-climate-action>

Overviews are available for the following countries and regions: Global, EU, US, UK, France, Germany, Japan, Canada, Australia.

More information about CDP data can be found here: <https://www.cdp.net/en/data>

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