

5 October 2021

Mr. Junichi Nakajima
Commissioner,
Financial Services Agency

Re: Mandatory Corporate Climate-related Disclosure

As the heads of three founding partners of The Investor Agenda, a network organization with thousands of institutional investor members and signatories that manage tens of trillions of dollars of assets, we are writing this letter to encourage Japan to lead the way on advancing sustainable finance in the upcoming G20 summit in Rome, and the 26th United Nations Climate Change Conference of the Parties (COP26) in Glasgow.

We welcome that G7 Finance Ministers and Central Bank Governors reached a consensus to move toward mandatory TCFD-aligned disclosures and acknowledged the importance of high-quality information on the impacts that corporate activities have on climate and environment in London last June. Also, we appreciate that Japan will implement the revised Corporate Governance Code requiring companies listed on the Prime Market of the Tokyo Stock Exchange to disclose climate-related financial risks and earning opportunities through the TCFD recommendations or an equivalent framework from April 2022. In addition, we pay attention to ongoing discussions on mandatory corporate climate-related disclosures in the Financial System Council.

Nevertheless, the urgency of the environmental crisis is real, and investors' expectations about adequate broader environmental disclosures are rapidly evolving. As leading economies in the world, G20 countries can and should go further: alongside mandatory TCFD-aligned disclosures, governments should use regulatory powers to encourage the development and disclosure of companies' climate transition plans, to ensure that financial sector stakeholders understand and invest in companies' transitions towards net-zero. Moreover, disclosure regimes should not only focus on the impacts of climate change on companies' financial performance and stability, but also consider the environment as a whole, and include the impacts that corporate activities have on people and the planet.

In these respects, we encourage Japan to lead other countries by example in implementing high-quality mandatory disclosure policy regimes, to ensure that both environment-related financial disclosure and disclosure on the impacts of corporate activities on people and the planet become standard business practice.

We look forward to Japan leading discussions on these issues in the upcoming G20 and COP26.

The Investor Agenda is a collaborative initiative with a mission to accelerate and scale up investor actions that are critical to tackling climate change and achieving the goals of the Paris Agreement. The CEOs and staff of The Investor Agenda partners in Asia - AIGCC, CDP and PRI - would be pleased to discuss our recommendations in this letter. Please do not hesitate to contact us if it would be of interest to set up a meeting.

Best regards,

Signed



Rebecca Mikula-Wright
Executive Director, Asia Investor Group on Climate Change



Paul Simpson
Chief Executive Officer, CDP



Fiona Reynolds
Chief Executive Officer, Principles for Responsible Investment