

TCFD, Physical Risks and Natural Capital

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Climate Change and Financial Risks

Mark Carney
FSB Chair/BoE Governor

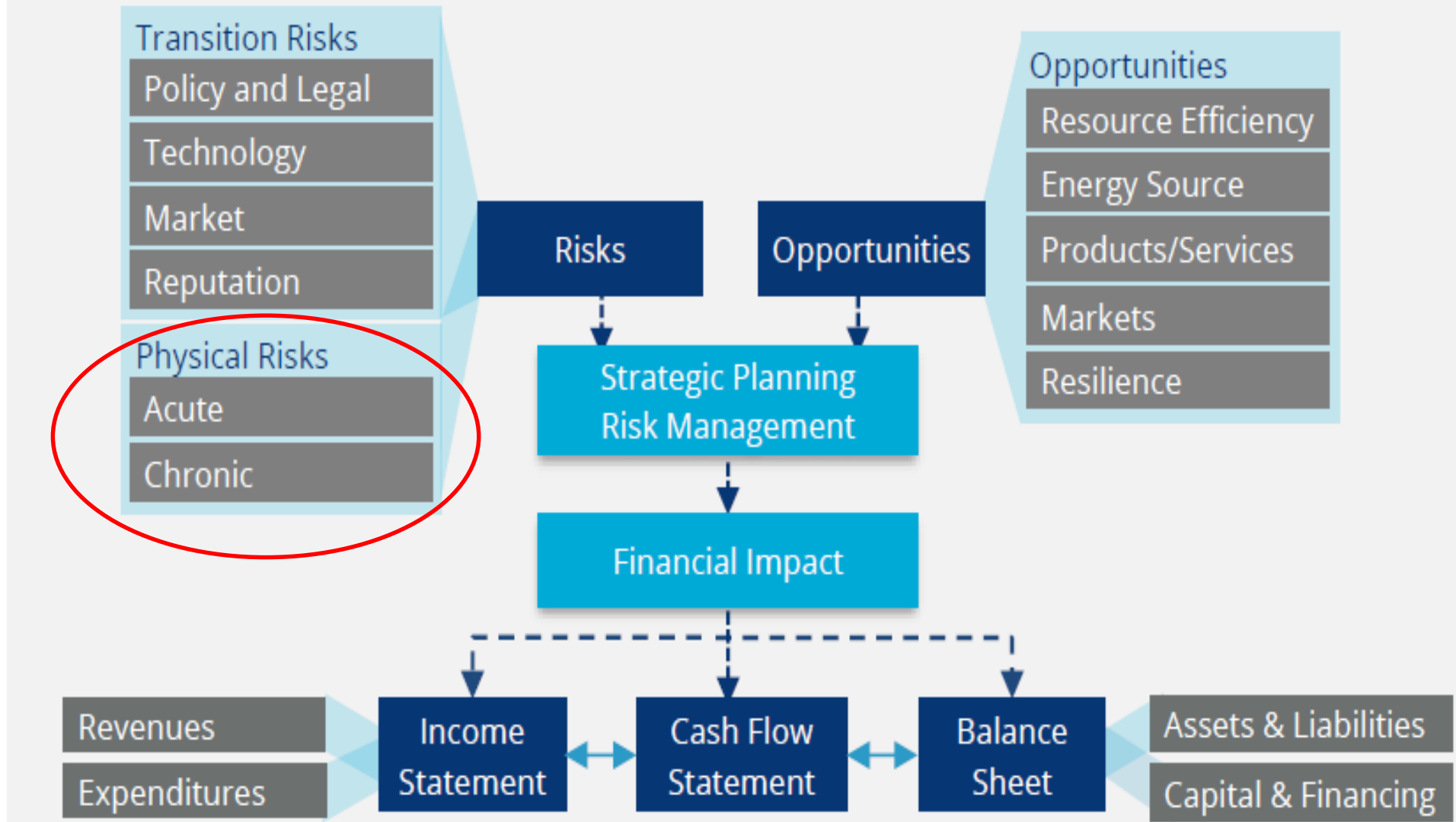


Climate change is the Tragedy of the Horizon. The catastrophic impacts of climate change will be felt beyond the traditional horizons of most actors - imposing a cost on future generations that the current generation has no direct incentive to fix. That means beyond the business cycle, the political cycle, and the horizon of technocratic authorities.

Our role can be in developing the frameworks that help the market itself to adjust efficiently. Any efficient market reaction to climate change risks as well as the technologies and policies to address them must be founded on ***transparency of information.***

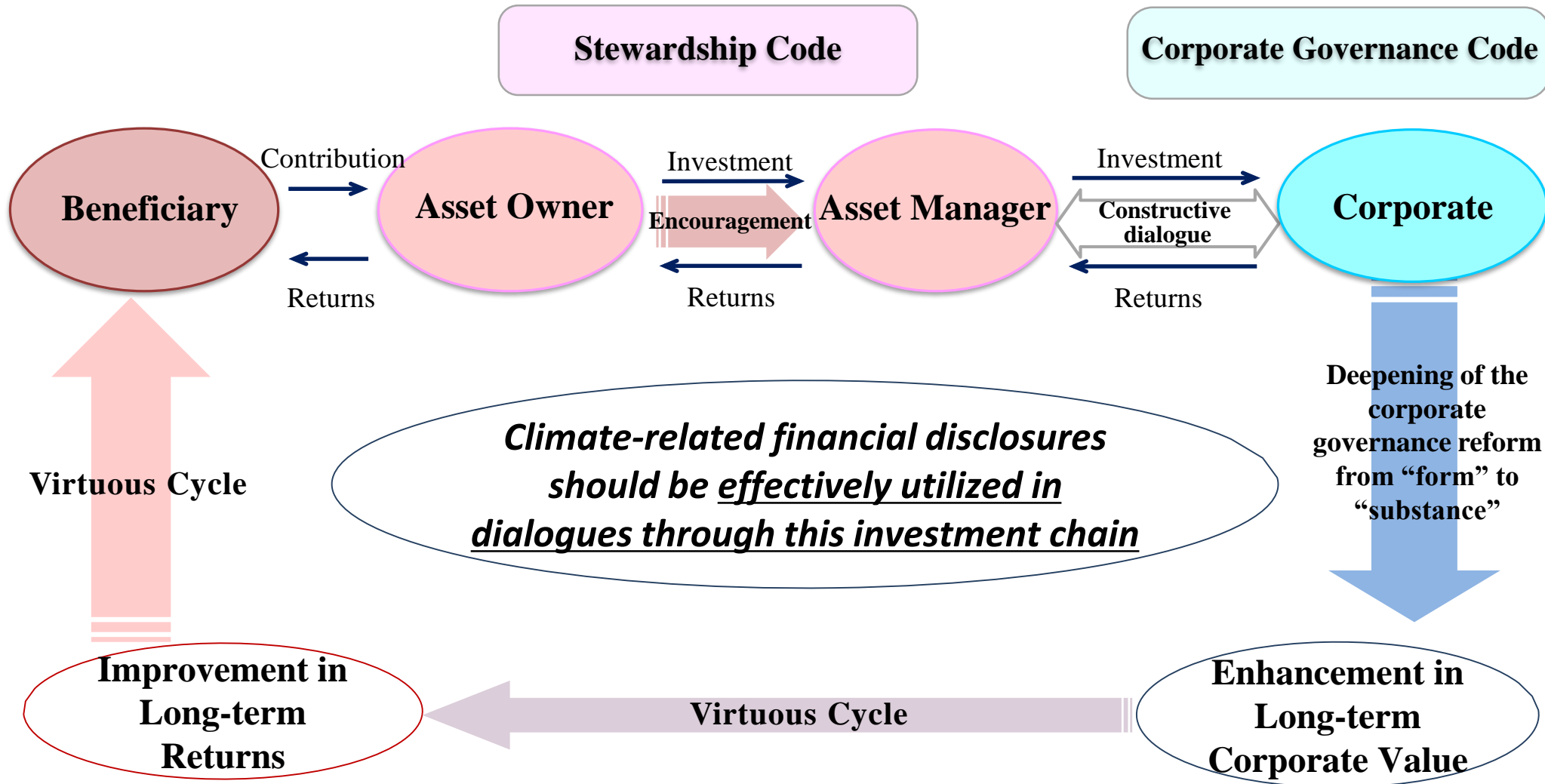
Our efforts will help smooth the transition prompted by these actions. With better information and risk management as the foundations, a virtuous circle is being built with better understanding of tomorrow's risks, better pricing for investors, better decisions by policymakers and a smooth transition to a low carbon economy.

Climate-Related Risks, Opportunities, and Financial Impact



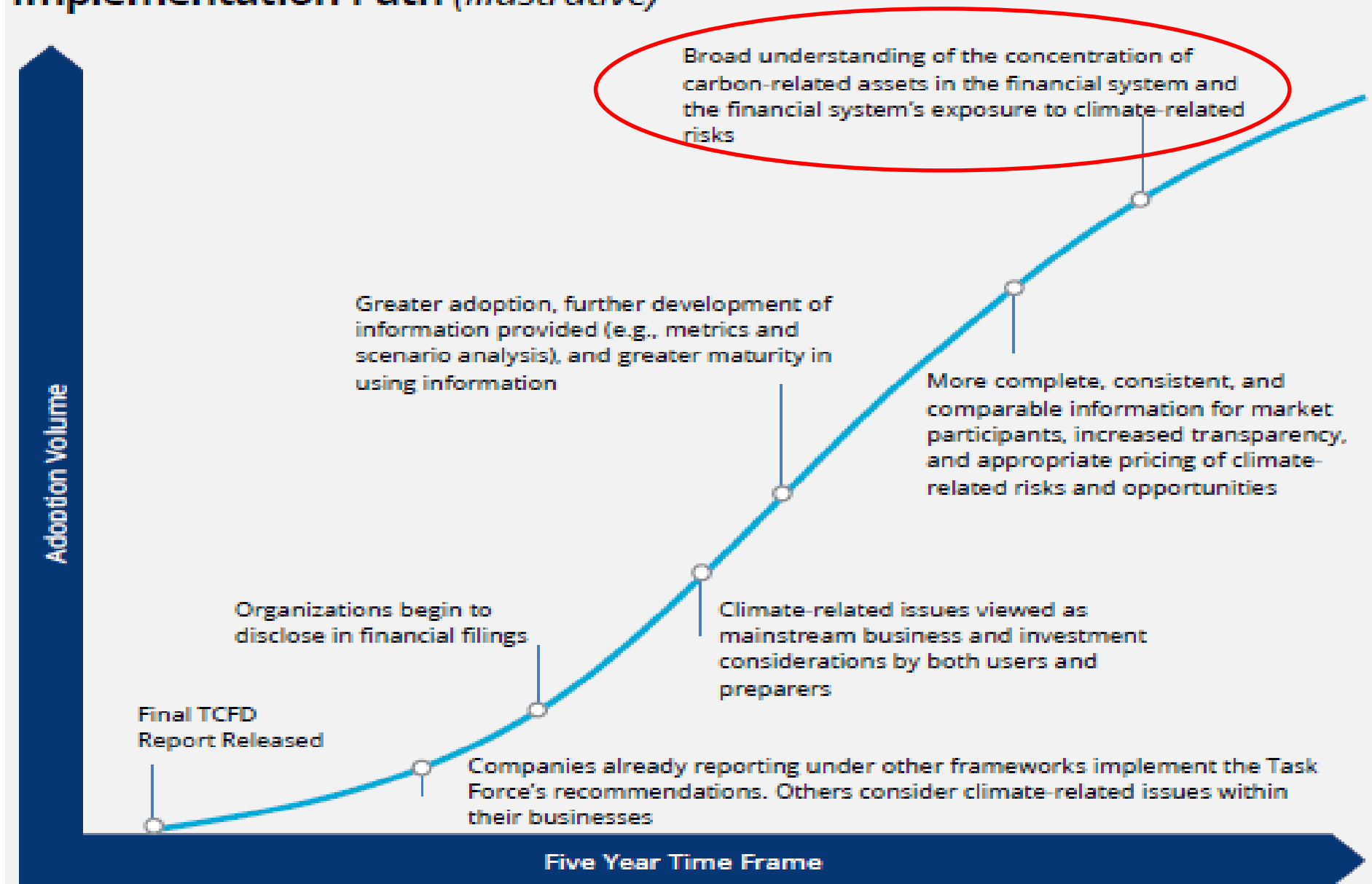
TCFD and Investment Chain

- The Corporate Governance Code of Japan encourages corporate disclosure of **ESG-related information**.
- The Stewardship Code of Japan encourages asset owners/managers to look into **risks and opportunities of investee companies in terms of ESG**.



TCFD Implementation Path

Implementation Path (Illustrative)



Challenge 1: Fostering Long-termism

Corporate Value in Time Horizons

Infinite years

100%

3 years

24%

5 years

37%

10 years

60%

20 years

84%

30 years

93%

40 years

96%

50 years

98%

Challenge 2: Developing Risk Assessment Methodologies

Climate-related Financial Risks and Mapping of Actions

