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Bank of Japan

## **Opening Remarks at the TCFD Summit 2021**

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*Governor of the Bank of Japan*

It gives me great pleasure to have this opportunity to speak to you at the TCFD Summit 2021.

Climate change is a global challenge and could have a broad impact on our society and economic activity into the future. The promotion of climate-related disclosure, which is on the agenda of this Summit, is one of the key elements for society and the economy to make progress in addressing climate change. For instance, promoting disclosure will enable investors to accurately identify climate-related risks and make investment. Increased disclosure will also result in more proactive production activity and research and development by firms in response to climate change. It is therefore important for each entity to enhance both the quality and quantity of their disclosures, based, for example, on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and to make appropriate use of the information disclosed.

The Bank of Japan decided upon its comprehensive strategy this July with the intention of furthering its efforts on climate change, consistent with the Bank's mandate of achieving price stability and ensuring the stability of the financial system. In this context, I would like today to touch on three areas of climate-related disclosure.

The first area is monetary policy. From a central bank standpoint, supporting the private sector's efforts on climate change will help stabilize the macroeconomy in the long run. From this perspective, the Bank has decided to introduce a new funds-supplying operation whereby financial institutions can receive funds from the Bank against their investment or loans made as part of their efforts to address climate change. Under the new operation, the Bank will require financial institutions to disclose a certain level of information including that based on the TCFD recommendations, while leaving the decision as to which investment and loans contribute to addressing climate change to the discretion of the financial institutions themselves. In this way, disclosures based on the TCFD recommendations will play an important role in the Bank's new operation in the form of market discipline to encourage investment and loans that make a genuine contribution to addressing climate change.

The second area concerns the financial system. The Bank will actively support financial institutions in identifying and managing their climate-related financial risks, with a view to

maintaining the stability of the financial system and the smooth-functioning of financial intermediation. To this end, through on-site examinations and off-site monitoring, the Bank will encourage financial institutions to enhance their disclosures based on the TCFD and other recommendations.

The third area relates to the Bank's own operations. The Bank, as a business entity, continues to pay due consideration to climate change in undertaking its business operations by, for example, reducing greenhouse gas emissions and saving energy. To communicate these efforts clearly, the Bank will make disclosures, taking into account the TCFD recommendations, and enhance its communication with the public on climate-related conduct in general.

The Bank will follow appropriately the evolving nature of climate-related issues, exchange dialogue with domestic and foreign stakeholders, and will constantly review its measures and make adjustments where needed.

Today's Summit brings together world leaders at the cutting edge of efforts to address climate change. I hope that participants will have a fruitful discussion on the enhancement of disclosure and on other related topics.

Thank you for your attention.