

## JCR Expressed Support for TCFD Recommendations

Japan Credit Rating Agency, Ltd. (JCR) has supported the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

TCFD was established by the Financial Stability Board (FSB) in December 2015 to design a set of recommendations for consistent disclosures which would help financial market participants understand companies' climate-related risks. In June 2017, it released the final report which recommended disclosing climate-related information linked to financial impacts in annual financial filings, and expected companies to disclose the four elements: Governance, Strategy, Risk Management, and Metrics and Targets. It announces its supporters, which have grown to 1,177 organizations in the world and 261 in Japan, as of April 9, 2020.

JCR, as a credit rating agency, is willing to contribute to efficient allocation of capital and stable economy by reducing the information asymmetry in financial markets. The global financial crisis aroused controversy on Short-termism, while environmental and social issues drew so much interest that their medium- to long-term interactions with economic activities were remarked, and then it came to be considered significant to reduce the information asymmetry about medium- to long-term cash flows. In light of the above international trends, the expected roles of credit rating agencies have been increasing. To support long-term investors' decision making can encourage the long-term management of the companies that comprehend environmental and social issues as strategically essential risks and opportunities, which will lead to continuous contribution to solution of the issues. TCFD recommends the disclosures in climate-related areas of the above long-term management.

JCR has the top-class market share of sustainable finance evaluation in Japan, evaluating financial products mainly for investors with high sustainability preferences. In September 2017, it signed the "statement on ESG in credit risk and ratings" initiated by the United Nations Principles for Responsible Investment (UNPRI) to enhance the transparent and systematic integration of ESG factors in credit risk analysis by credit rating agencies. Moreover, It comes to evaluate Positive Impact Finance (PIF) along the Principles for PIF established by the United Nations Environmental Programme Finance Initiative (UNEP FI) in earnest recently. These are the activities to support long-term investors' decision making.

TCFD recommendations, whose meaning meets JCR's activities, will increase the roles which JCR will play. JCR constantly strives to contribute to the development of sustainable finance leading to a sustainable society by providing third party opinions, etc.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza,  
Chuo-ku, Tokyo 104-0061, Japan

Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

