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Japanese firms in global climate benchmarks

Running late in the race to zero, and how to catch up

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Tokyo/Fukuoka | 13th December 2022

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An overview of a few benchmarks

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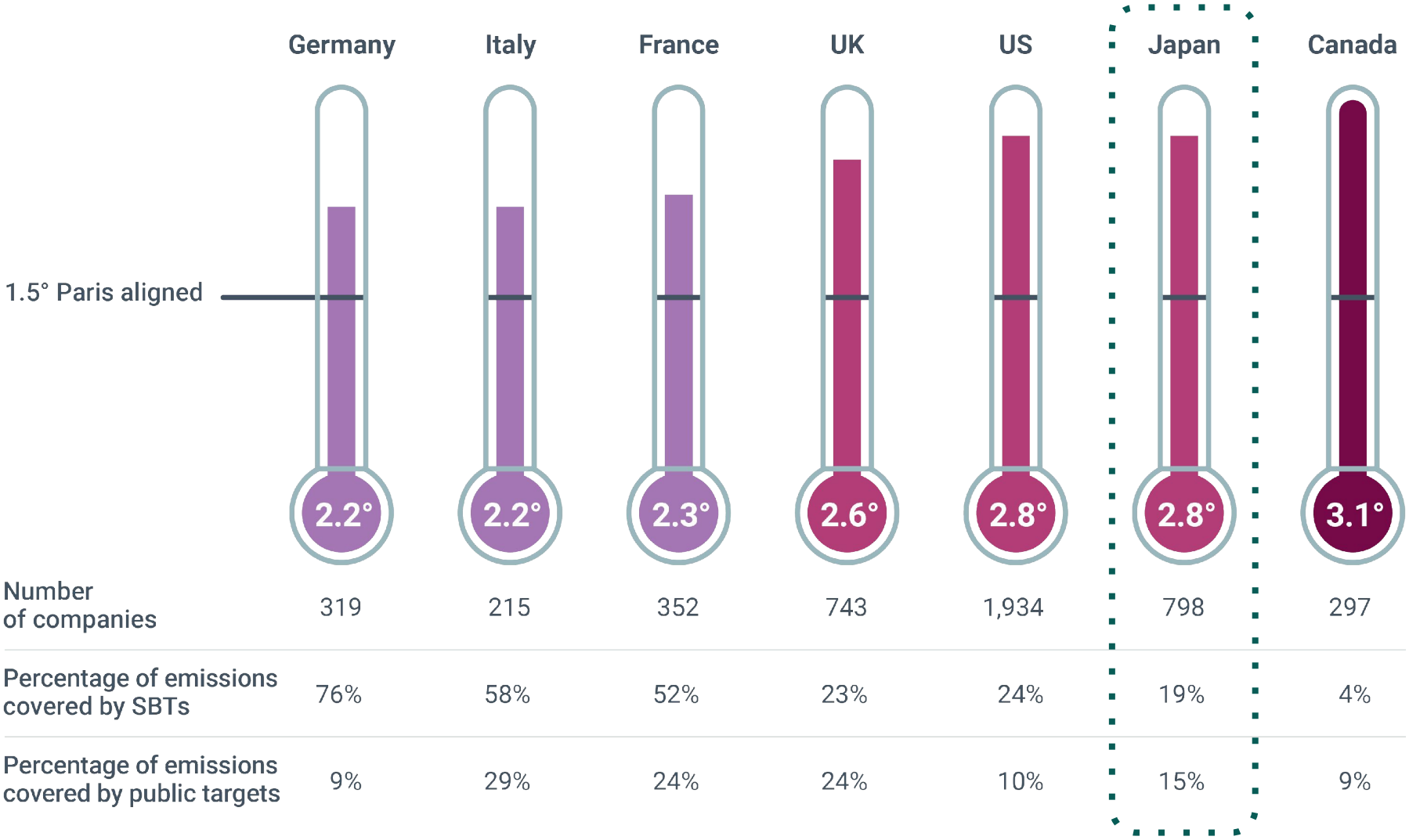
Benchmarking net zero goals of 166 global firms

Company Name	1 Net Zero ambition	2 LT target	3 MT target	4 ST target	5 Decarb. Strategy	6 Capital align.	7 Climate pol. eng.	8 Governance	10 TCFD
Daikin Industries Ltd.	Y	Y	N	N	N	N	P	P	P
ENEOS Holdings, Inc.	P	P	P	P	Y	N	P	Y	P
Hitachi Ltd.	Y	Y	Y	N	P	N	P	P	Y
Honda Motor Company	Y	Y	N	N	N	N	N	P	P
Nippon Steel Corp.	Y	Y	P	N	P	N	N	P	P
Nissan Motor Co. Ltd.	Y	Y	P	P	P	N	N	P	Y
Panasonic Holdings Corp.	Y	Y	Y	N	P	N	N	P	P
Suzuki Motor Corp.	N	P	P	P	N	N	N	P	P
Toray Industries, Inc.	P	P	P	P	N	N	N	Y	Y
Toyota Motor Corp.	Y	P	P	P	P	N	P	P	Y

Source: Net Zero Company Benchmark

Measuring trajectory of major firms in G7 countries



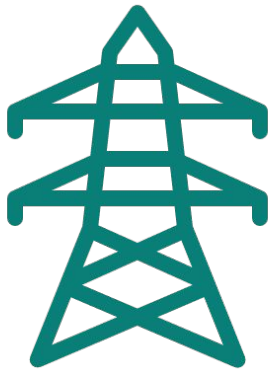
	Germany	Italy	France	UK	US	Japan	Canada
Number of companies	319	215	352	743	1,934	798	297
Percentage of emissions covered by SBTs	76%	58%	52%	23%	24%	19%	4%
Percentage of emissions covered by public targets	9%	29%	24%	24%	10%	15%	9%

Source: Missing the Mark: CDP temperature ratings 2022

Ranking corporate low-carbon transition strategies

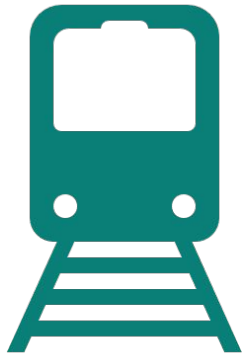
Automotive

- 30 companies
- Best ranked Japanese company: Toyota (#10)
- All Japanese car manufacturers are in the lower two thirds of the ranking



Electric Utilities

- 50 companies
- Best ranked Japanese company: Tohoku Electric Power (#25)
- All Japanese power companies are between rank #25 and #35



Transport

- 90 companies
- Best ranked Japanese company: JR Central (#8)
- The two Japanese airlines, ANA and JAL, are in the top 3 of all airlines

Source: Climate and Energy Benchmark

02

What is slowing down Japanese companies?

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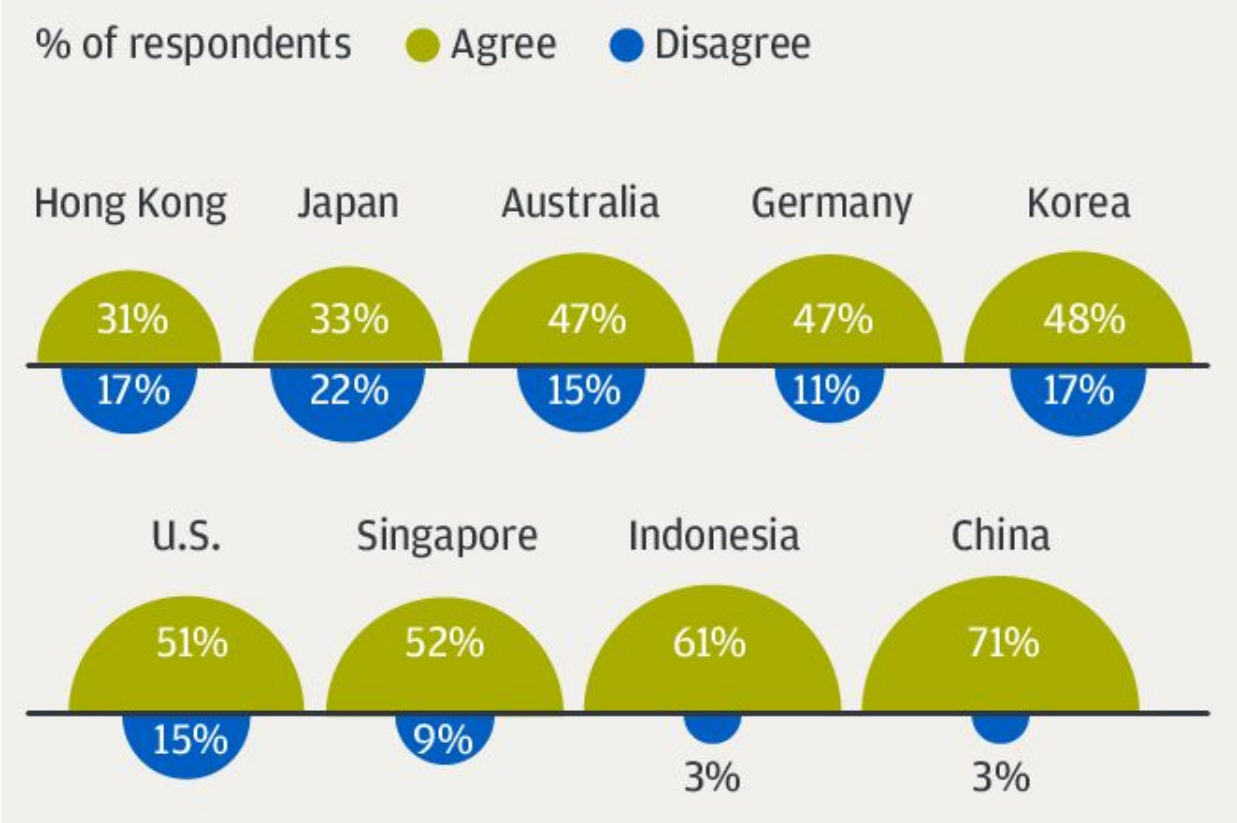
Low demand from consumers

« I buy from companies conscious of protecting the environment »

- Only 1 Japanese consumer out of 3 agrees
- More than 1 Japanese consumer out of 5 disagrees



Source: JP Morgan Asset Management / PwC 2021 Global Consumer Insights

Low regulatory incentives

Current carbon tax in Japan

2.6€ per ton of CO2

Recommended carbon tax for Japan now

30€ per ton of CO2 Source: Carbon Tracker

Recommended global carbon price by 2030

75€ per ton of CO2 Source: IMF

Current carbon tax in Sweden

115€ per ton of CO2 Source: IEA

Low diversity in top management of businesses

The average **CEO** is

years old.

The average **board director** is

years old.

Only

of **board directors** are **women**.

03 Seeds for change

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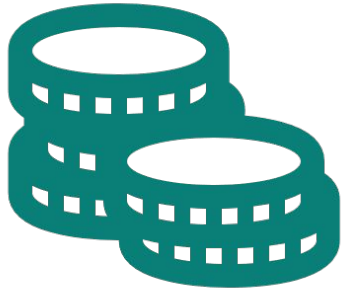
What could push Japanese firms to move faster?

Pressure from foreign customers and regulators

- 60% of Japanese companies' sales are **outside of Japan**
- Japanese companies present in **supply chain** of major US and EU brands

Increased scrutiny from international NGOs

- **Japanese companies care about their image** and do not want to appear as laggard.



Pressure from foreign investors and shareholders

- 30% of the capital of Japanese listed companies is owned by **foreign shareholders**
- **Climate shareholders resolutions** coming to Japan

How to (re)establish a leadership?

Stay ahead of government targets

- Example: set **internal carbon pricing** to compensate the absence of carbon market/tax in Japan

Engage proactively with international frameworks

- CDP, TCFD, RE100 already successful in Japan
- Keep moving with next-generation initiatives such as **TNFD** (biodiversity), **ACT** (transition plans), **FMC** (low-carbon procurement), etc.

Align company strategy with long-term climate goal

- Establish **science-based low-carbon transition plans**
- Beyond ESG departments, operate company-wide mindset shift with **climate education**

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Science-based climate education and advisory for companies in Japan

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