

Toray Industries (3402 :Tokyo) – Climate Transition Analysis

Questions for investors and lenders to ask management

Recommended Questions

Q.1 **Question:** Does Toray management recognise they are on a +3°C pathway? What pathway do they believe they are following?

Background: Planet Tracker calculates that Toray Industries is on a +3°C pathway. Management do not accept this and believe they will be Paris-aligned by 2031 and net zero by 2050. There is little information available to investors to have confidence in a +1.5°C pathway.

Target: Management should provide information – e.g. capex, Scope 3 targets, technology improvements, etc. – to give investors confidence of a meaningful transition.

Q.2 **Question:** How will management achieve carbon neutrality by 2050, without revealing a total Scope 3 emissions target?

Background: The disclosed Scope 3 emissions are only for upstream activities, mainly “purchased goods & services”. Toray does not disclose downstream Scope 3 emissions such as ‘use of sold products’. Planet Tracker estimates Scope 3 is around 60% of total emissions.

Target: Disclose all Scope 3 emissions, including downstream ones.

Q.3 **Question:** Management reveal ‘avoided emissions’. How should investors value these?

Background: Toray does disclose ‘avoided emissions’ from the use of Toray products but this metric is not comparable to Scope 3 use of products. It is an estimate of the lifetime emissions saved by using more efficient Toray products as opposed to conventional products. We find this metric to be unhelpful and difficult to compare with peers.

Target: Ensure ‘avoided emissions’ are not confused with Scope 3 emissions. Release total Scope 3 emissions target.

Report Key Takeaways

- Planet Tracker’s analysis shows Toray Industries on a pathway aligned with +3°C.
- In 2022, total emissions were 12,703 ktCO₂e with nearly 60% from Scope 3.
- Toray Industries does not disclose downstream Scope 3 emissions and there is no Scope 3 target. The company aims to reduce absolute emissions by 50% per unit of revenue by 2031. Management is keen to focus investors on ‘avoided’ emissions – i.e. how much customers save by using Toray products.
- Toray does assess suppliers’ environmental performance but appears to rely on a ‘retain and engage’ strategy with underperformers. Its carbon neutrality target by 2050 is for Scopes 1 & 2 only.

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