

Toray Industries (3402) Climate Transition Analysis

Recommended Questions

Q.1 *When will Toray disclose absolute emissions reduction targets for Scope 3, particularly Category 1?*

Background: Scope 3 accounts for 78% of the company's total footprint, with Category 1 alone representing 52% of Scope 3 emissions. While Toray has begun supplier engagement on Category 1 and stated it "will set targets," no quantitative commitments, interim milestones, or timelines have been disclosed.

Best Practice: Adopt and publicly share science-based reduction targets for all Scope 3 categories, with particular focus on Category 1, 11, and 12. Targets should include interim milestones aligned with IPCC benchmarks for 1.5°C pathways, transparent methodologies, third-party validation (e.g., SBTi approval), and annual progress disclosure.

Q.2 *What mechanisms will Toray implement to drive emissions reductions across its supply chain?*

Background: Toray's supplier engagement has expanded (87% of major suppliers report taking steps to reduce GHG, and 85.5% agree to CSR Procurement Guidelines). However, the company does not disclose what specific actions suppliers are taking, how much emissions reduction these actions deliver, or whether targets are enforced.

Best Practice: Develop time-bound supplier engagement targets tied to verifiable carbon reduction metrics. Implement binding requirements within procurement contracts, supported by third-party validation, annual emissions data disclosure, and engagement protocols for non-compliance.

Q.3 *Will Toray formally embed sustainability metrics into executive compensation?*

Background: Toray states it will "consider incorporating" sustainability metrics into executive compensation from FY2026, but this is not a confirmed commitment. Currently, sustainability-related incentives focus on revenue growth from Sustainability Innovation (SI) products rather than absolute emissions reductions.

Best Practice: Formally embed absolute emissions reduction milestones in executive compensation structures, with disclosed KPIs, weightings (e.g., 20% of long-term incentive pay tied to Scope 1, 2, and 3 reduction targets), and annual performance disclosure.

Report Key Takeaways

- Toray's Scope 1 and 2 emissions fell 6.3% (y-o-y) in FY2024 and the CO₂e per revenue ratio declined by 42.8% versus FY2013. However, much of this reflects revenue growth, including FX effects, rather than structural decarbonisation. With no quantified Scope 3 targets, overall alignment with Paris pathways remains unclear.
- Supplier engagement has expanded, with 87% of major suppliers reporting GHG actions and 85.5% adopting CSR Guidelines. Yet without binding reduction targets, enforceable performance metrics or disclosed abatement outcomes, supply chain decarbonisation remains difficult to verify.
- Governance structures have strengthened through a new sustainability division and internal carbon pricing, but climate metrics are not yet embedded in executive pay and capital allocation is not transparently linked to emissions cuts. Absent absolute Scope 3 targets and clearer capital-to-carbon traceability, Toray remains more consistent with a 2°C pathway than a 1.5°C scenario.

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