

# To Become a Leading Company of Choice for the Customers through the Implementation of Sustainability Management

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CSO × Expert  
SDGs  
Dialogue



The Taisei Group has targeted the front-runner status in the environmental sector, accelerating its initiatives towards carbon neutrality, and aims at the enhancement of corporate value and sustainable development by solving environmental and social issues through its business.

This time, we invited Ms. Mari YOSHITAKA, an environmental financial consultant and a pioneer in environmental business, to have dialogue with Mr. Jiro TANIYAMA, Chief of Sustainability Division (Integrated) and Chief Sustainability Officer (CSO). They discussed the prospect of roles the Taisei Group is currently expected to play in sustainability management, and future possibilities.

## Global Trends in Decarbonization

**YOSHITAKA:** Since July 2022, the government has been hosting the meetings of the GX (Green Transformation) Implementation Council chaired by the Prime Minister. In February 2023, the Cabinet approved a Basic Policy aimed at implementing GX. The policy sets advancing decarbonization efforts and implementing “growth-oriented carbon pricing schemes” to realize the economic growth, while mitigating climate change and ensuring a stable energy supply. Efforts towards GX are accelerating, for

instance, the policy has been announced to realize GX investment of more than ¥150 trillion by the public and private sectors combined over the next decade.

Over 20 years ago, I studied environmental economics and business management, including emissions trading, in the United States. Although the significance of environmental management was not as widely recognized as it is today, the environment surrounding the green business has dramatically changed over the last two decades. For instance, companies are now required to include sustainability issues such as the measures to mitigate climate

change in their Annual Securities Reports, in accordance with TCFD recommendations. It goes without saying that companies shall take such measures to mitigate climate change and it is also required for the companies to undertake proactive efforts and disclose information, being connected to improve their corporate value beyond such initiatives.

Similarly, Mitsubishi UFJ Financial Group has established specialized departments focusing on sustainable business. We are assessing investment and loan recipients and expanding our business through ongoing engagement with companies. I have a keen interest in the sustainability initiatives and future prospects of the Taisei Group.

**TANIYAMA:** Concerning the national policy of GX investment of ¥150 trillion, we definitely want to leverage it to expand our business opportunities. I have heard that you attended the 27th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) held in Egypt in November 2022. How was it going there?

**YOSHITAKA:** While COP27 did have some achievements, such as the decision to establish a dedicated fund to support measures against “loss and damage” in developing countries affected by climate change, I feel that numerous issues to be discussed continuously remained, such as conflicts between developed and developing countries as well as among developed countries themselves.



**TANIYAMA:** Our Company participated in the Japan Pavilion for the first time and exhibited our T-Green® Multi Solar and T-eConcrete® technologies. I heard that the booth attracted a large number of visitors throughout the event, making it quite a success.

**YOSHITAKA:** I was there, and it was indeed favorable. I was aware of a high level of interest from developing countries, particularly in technologies such as T-eConcrete®, that absorb CO<sub>2</sub> through concrete. Despite some negative media coverage in Japan, citing that Japan received the Fossil Award for its substantial public funding for fossil fuels, environmental technologies from Japan are highly valued globally. I think Taisei Corporation should more actively promote such technologies.

## Challenges to Achieving Carbon Neutrality

**YOSHITAKA:** In October 2020, the government declared its aim to achieve carbon neutrality and decarbonized society by 2050 by reducing overall greenhouse gas emissions to net zero. Evolving further initiatives by private companies is crucial for achieving this target, but I believe there are multiple challenges facing companies as well. First, let me ask about your supply chain initiatives. The construction industry has a broad reach, involving companies of various sizes and types—from the leading general contractors such as your company to small and medium-sized contractors in regions. How do you plan to achieve carbon neutrality throughout the supply chain, by involving these companies that are upstream of Scope 3 on your business? When I spoke with the top management of another construction company before, they said that supply chain was a challenge, and while their own efforts could be effective, it was very challenging to instill such awareness into the end of the supply chain.

**TANIYAMA:** Unlike general manufacturing business, the construction business lacks fixed production facilities, and supply chain changes depending on the projects construction companies undertake. It is a significant challenge to instill our sustainability practices consistently into such a diverse range of companies, some of which are publicly

traded and others are family-owned. However, we believe it is part of our duty as the prime contractor to continue with persistent efforts such as briefings, surveys, and interviews.

**YOSHITAKA:** Cautiousness might also be required in routine operations, for instance, to what extent the prime contractor may intervene in the business activities of the companies in the supply chain or instruct to such companies, or if such operations are regarded as abusing a superior bargaining position.

Next, I would like to talk about the issue of cost. Innovative technologies such as T-eConcrete® which we mentioned before will contribute to solving social issues only if they are widely adopted. Many companies still operate under the notion that it costs for environmental initiatives, and I think there are cost-related challenges in being widely adopted environmental technologies such as T-eConcrete® and connecting them to the business within the Taisei Group.

**TANIYAMA:** Absolutely, the cost of using those technologies is currently higher than that of traditional methods and materials. We need efforts to seek understanding from our customers as part of their Scope 3 decarbonization efforts. We believe the key to broader adoption lies in reducing the costs by continuing to run demonstration experiments, identify and address issues, and collaborating with various companies.

## Carbon Neutrality and Regional Cooperation

**YOSHITAKA:** Carbon neutrality is not an issue that can be resolved by companies alone. Naturally, it requires support from the national government as well as co-creative activities with local governments. The Ministry of the Environment has selected “Decarbonization Leading Areas,” focusing primarily on local governments and also involving local companies and financial institutions, has resolved regional issues in accordance with each area’s unique characteristics, and will indicate a direction towards decarbonization while improving the quality of life for residents. I serve on the Evaluation Committee for these Decarbonization Leading Areas and have observed very interesting initiatives being launched in various regions. For construction companies whose operational field includes both domestic and international locations, I believe such initiatives offer a business opportunity to simultaneously enhance corporate value and solve issues.

**TANIYAMA:** I fully agree with you. In April of this year, we established a specialized department focusing on regional cooperation within our Sustainability Division (Integrated), and have started to reinforce such cooperation throughout the entire company. We have received various requests and inquiries from local governments and have made proposals that utilize our cutting-edge technologies towards achieving carbon neutrality. Some of these initiatives are already underway. In “Medium- to Long-Term Vision: TAISEI VISION 2030” formulated in 2021, we aim to be “a

pioneering corporate group contributing to the development of a resilient society where people can live affluent and cultured lives,” and consider that it is our crucial duty to contribute to regional revitalization and development through our business activities.

**YOSHITAKA:** While there is a strong public perception that “measures to mitigate climate change equals decarbonization,” and thus interest in clean energy tends to dominate, adaptation to climate change is also a significant global challenge. To achieve carbon neutrality is a goal for the future—2030 or 2050—but natural disasters due to climate change are happening right now, and accordingly a balanced approach that also includes disaster prevention and recovery initiatives is essential.

Even in the case of renewable energy initiatives, each local government is seeking not only reduction of electricity cost but also solutions that can serve as infrastructure during disasters, as part of its Business Continuity Plan (BCP). I believe that the expertise of construction companies is indispensable not only for the energy sector but also for comprehensive urban planning that anticipates natural disasters.

The selection criteria of local governments for Decarbonization Leading Areas which I mentioned earlier emphasize how to incorporate energy-saving and energy-creating measures into existing facilities and evolving such facilities. I believe your company’s environmental technologies, including “Green Renewal ZEB,” offer valuable solutions for local governments, both from the perspectives of carbon neutrality and BCP in times of disaster.

## Initiatives for Environmental Due Diligence

**YOSHITAKA:** I would like to shift our discussion from carbon neutrality to broader environmental issues. I understand that Taisei Corporation has begun considering environmental due diligence, is that correct?

**TANIYAMA:** Yes, we revised our Environmental Policy in March 2023 to include “Continuous Implementation of Environmental Due Diligence.” We have already implemented risk measures related to the environment, such as establishing an environmental management system (EMS) and formulating the Taisei Group Sustainable Procurement Guidelines. Currently, we are identifying environmental risks as a part of systematically implementing a PDCA

(Plan-Do-Check-Act) cycle, including the identification and assessment of environmental risks, the implementation of preventative and mitigative measures, the verification of their effectiveness, and disclosure of the information.

**YOSHITAKA:** Historically in Japan, there has been an attitude that all we have to do is to comply with environment-related laws and regulations. However, from an ESG perspective, compliance with environment-related laws and regulations falls under Governance (G). To strive for more ambitious goals for the future is part of the Environmental (E) aspect. Therefore, I think it is commendable that you are establishing a mechanism for environmental due diligence. I look forward to continuing to monitor your company’s progressive initiatives.

## Sustainability Management Attracts Human Capital

**YOSHITAKA:** I am also a lecturer at several universities, and when I talk to students, I find that they tend to be more interested in finding a job or starting a business in

the IT or environmental fields rather than in joining a large company, and have high expectations of being able to do something new, demonstrate their abilities, and contribute to society. My biggest concern is the gap between the values of sustainability natives like them and our generation. I believe that if companies continue to manage

themselves with being tied down to conventional values, they will eventually lose the interest of these students, making it difficult to secure human capital in the future.

**TANIYAMA:** I share similar concerns. I was deeply involved in the formulation of TAISEI VISION 2030 which I mentioned earlier, as the then Chief of Corporate Planning Office. The focus was on solving sustainability issues through our business, and we had an in-depth discussion how to link this to the power to generate capital for growth for the Taisei Group over the long term and continuously. It is important to equate corporate value with indicators such as net sales and profits. But, not only do we have to emphasize such short-term corporate value, but also do we have to take various measures by backcasting what our future goals should be, in more long-term; otherwise, sustainability natives like the ones you mentioned may not join our Group. TAISEI VISION 2030 embodies the idea that one major issue is to seriously address both business challenges and sustainability.

Additionally, our Company established the Taisei Group Philosophy “to create a vibrant environment for all members of society” in 1990. More than 30 years have passed since this Philosophy was established, and I believe it serves as both a guide and *raison d'être* that the current Taisei Group's sustainability management should aim at.

**YOSHITAKA:** The term “ESG investment” was first introduced as an official phase at the United Nations in 2006. Financial institutions had been conducting screening to prevent negative societal impact even before that time, but the idea that ESG investment shall be linked to economic growth became common between 2010 and 2015, following the global financial crisis, “the collapse of Lehman Brothers.” This means your company had integrated sustainability into its management even before such an approach became mainstream globally. That is probably why your company was able to celebrate its 150th anniversary this year.



How are your diversity initiatives? I am currently researching the correlation between companies advancing in climate change countermeasures, TCFD disclosures, and other initiatives, and those that are working to close the gender gap. Reports from overseas suggest a correlation exists. There is also data indicating that when female participation in management increases and diversity is enhanced, innovation in climate change countermeasures and technology is more likely.

**TANIYAMA:** As we believe that a major point for promoting active participation and advancement of women in the workplace lies in changing men's attitudes, we ensure that male employees take childcare leave following giving birth by their spouses.

**YOSHITAKA:** The term “women's participation and advancement” is often misunderstood as telling women to “work more.” While it is natural for women to work, the current situation is that it is difficult for them to fully realize their potential unless men share responsibilities as you pointed out. It is said that it is crucial to close the gender gap. It may appear irrelevant at first glance, but in construction industry, which has a strong “male society” image, I believe that diversity initiatives could potentially lead to solutions for environmental issues.

## Taisei Group's Challenges and Expectations

**YOSHITAKA:** How do the ESG initiatives of your company distinguish themselves from those of your competitors in the construction industry? As the materiality in this sector tend to be quite similar across companies, I often find it hard to identify a unique angle. It is crucial for the investors to see that there are distinct strengths and unique strategies identified as the character of the Taisei Group, even when the Company's identifiers are masked. I expect the Taisei Group to demonstrate such differentiated initiatives and public disclosures. Also, it is essential to present not only your current initiatives but also a roadmap and future vision outlining further evolutions and steps. In the current circumstances that various sustainability issues such as climate change and geopolitical risks are

complicatedly tangled up, the Ministry of Economy, Trade and Industry has initiated a program to select and recognize companies, as the “Sustainability Transformation Brands (SX Brands),” that effectively integrate sustainability issues and societal needs into their business strategies and can enhance their corporate value. I serve on the evaluation committee for this program, and I fully believe that the Taisei Group has the potential not only to elevate its sustainability management and recognized under this program, but also to solve this country's environmental and social issues and to lead sustainability thereof. I have high expectations that the Taisei Group will accelerate its initiatives for the future.

**TANIYAMA:** Thank you for your valuable advice and your time today.