

Asia Investor Group on Climate Change (AIGCC)

Japan – State of Investor Climate Transition 2025

A summary of climate progress by Japan's most significant institutional investors, from AIGCC's State of Investor Climate Transition in Asia 2025 Report.

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Research Methodology Summary

Japan Data Set:

- 35 large and influential institutional investors
 - 22 asset owners
 - 13 asset managers
- Median assets under management (AUM) US\$77.8 billion
- Collective AUM of approx. JPY ¥1,800 trillion (US \$12.4 trillion)

Total Asia Data Set

- 230 large and influential institutional investors¹
 - 113 asset owners
 - 117 asset managers
- Median AUM US\$100 billion
- US \$100 trillion collective AUM
- Approx. 80% of investors HQ in Asia

AIGCC assessed investors against key pillars for investor climate action, drawn from the [Investor Climate Action Plans \(ICAPs\) Ladder](#):

- Governance,
- Investment,
- Corporate Engagement,
- Disclosure, and
- Policy Advocacy.

Each of these five implementation areas are essential for preparing for, and accelerating, the transition to a low-carbon economy, to enhance portfolios resilience to mounting climate risks.

¹ As above.

Executive Summary

Investors across Asia are increasingly acknowledging the financial materiality of climate change, and adopting policies and internal structures to manage the risks.

In Japan, investor climate progress is particularly evident across climate governance and climate disclosures. Investors in the country are mostly ahead of, or in-line with, the Asia average across most key indicators of investor climate action. This is as expected for a developed market with a sophisticated financial sector.

However, Japan's investment sector has not yet moved fast enough, especially on climate-aligned capital allocation and climate policy advocacy, to adequately transform portfolios and the broader economy to a sustainable, low carbon emissions future in the best financial interests of investors.

The strong focus from some global regulators, and rapidly surfacing transition and physical risks across Asia, mean the gap between institutional investor climate leaders and laggards also appears to be growing.

The results herein demonstrate to investors, policymakers, and stakeholders the strides being made by the Japanese investment community in climate implementation, but also the significant obstacles and gaps that remain.

Japan Context

Japan's economy is highly exposed to damage from climate change, particularly damage to infrastructure, agriculture, and fisheries. These present risks to investment portfolios, wages and household finances. However, Japan also has significant opportunities in energy technology, clean transport and green manufacturing. Decarbonisation of Japan's domestic and export economy is critical to global decarbonisation efforts.

Investors who best manage these risks and take advantage of the opportunities will be well-placed to help their beneficiaries save for retirement. On a systemic level, properly managing climate risks and opportunities will help protect the national pension system – which is currently under pressure.

Accordingly, the country's investment and regulatory landscape is evolving to address climate risks and opportunities. In 2022 the Japanese government announced the concept of green transformation (GX), an initiative to transform the entire economic and social system from an economy, society, and industrial structure dependent on fossil fuels to one driven by clean energy. 2024 was a crucial year as Japan updated its Strategic Energy Plan and Nationally Determined Contribution (NDC), which are foundations for GX initiatives and policies.

Climate Governance

Leading investors across Asia are embedding climate change into corporate governance and are systematically aligning the organisational processes and leadership with a low-carbon economy, providing clear processes and mechanisms to manage these highly material investment risks and opportunities.

Japanese investors are mostly ahead of the Asian average in incorporating climate-risk considerations into governance structures and processes. For example, 74% of Japanese investors, representing US\$11.2 trillion in AUM, have integrated climate considerations into their investment policies, while 49% have adopted a public investor transition plan. We also saw that asset managers are ahead of asset owners in all metrics, in Japan, and across Asia more generally.

Area of Practice: Governance	Japan Investor Average	Japan Asset Owners	Japan Asset Managers	Overall Asia Investor Average	Overall Asset Owners	Overall Asset Managers	AIGCC Members Average
No. in sample	35 investors	22 investors	13 investors	230 investors	113 investors	117 investors	62 investors
Recognition of Climate Risks/ Opportunities	80%	69%	100%	75%	59%	90%	100%
Policy on Climate Integration in Investments	74%	59%	100%	66%	51%	81%	95%
Board-Level Oversight of Climate Change	69%	50%	100%	63%	50%	77%	94%
Linking Incentives to Climate Performance	20%	14%	30%	23%	13%	32%	47%
Publication of Climate Transition Plan	49%	28%	84%	35%	20%	50%	37%

Note: the percentages above represent the portion of investors who have either 'Achieved' OR 'Partly Achieved' the relevant criteria, therefore, the level of sophistication, comprehensiveness and effectiveness across metrics varies.

Despite the significant progress made, the data above indicates that climate governance gaps remain for investors in Japan, particularly with regards to linking executive remuneration to climate outcomes, an area where some leaders are demonstrating progress, but Japanese investors are slower to formalise the link of climate performance to executive remuneration, and the adoption and publication of comprehensive investor transition plans.

Climate Investment

Japanese investors are setting climate targets and policies and are increasingly investing in climate solutions and climate-aligned investments. This will help them manage climate risks and foster value creation in portfolios. For example, 63% of Japanese investors (22 of 35), representing US\$8.2 trillion in AUM, have now pledged to achieve net-zero portfolio emissions, while 43% of investors now have a target, or track investments in, climate solutions or transition finance.

Area of Practice: Climate Investment	Japan Investor Average	Japan Asset Owners	Japan Asset Managers	Overall Asia Investor Average	Overall Asset Owners	Overall Asset Managers	AIGCC Members Average
No. in sample	35 investors	22 investors	13 investors	230 investors	113 investors	117 investors	62 investors
Net Zero Portfolio Emissions Commitment	63%	45%	93%	43%	34%	52%	75%
Interim Portfolio Emissions Reduction Target	60%	46%	85%	36%	25%	47%	71%
Signatory to Net Zero Investor Initiatives	49%	27%	85%	26%	11%	41%	55%
Climate Solutions Investments	43%	45%	39%	35%	34%	35%	56%
Asset Alignment Targets	19%	5%	46%	25%	11%	38%	55%
Policy on Fossil Fuels or High-Emitting Sectors	51%	33%	84%	43%	28%	58%	92%
Policy/Strategy on Deforestation	23%	5%	54%	21%	9%	32%	57%
Biodiversity or Nature Disclosures/Strategy	57%	45%	77%	33%	22%	44%	66%

Note: the percentages above represent the portion of investors who have either 'Achieved' OR 'Partly Achieved' the relevant criteria, therefore, the level of sophistication, comprehensiveness and effectiveness across metrics varies.

Despite some progress outlined in the table above, each of the categories demonstrates that climate-aligned investments from domestic institutional investors in Japan remain inadequate to meet Japan's and global climate goals, which therefore risks the country's economic goals.

Asset Alignment Targets

Noticeably, only a limited number of asset owners have set asset alignment targets. Through mandates, asset owners' commitment to the climate transition strongly influences the asset allocation and stewardship efforts of asset managers. In this regard, we see room for Japanese asset owners to progress and lead asset managers in the future.

Most Japanese asset managers have set net-zero targets and interim goals for their portfolios, while only half of all surveyed asset owners have set such targets, indicating a higher level of progress across the industry among Japanese asset managers.

Climate Solutions, Nature Exposures

Clear first mover advantages present to investors focused on unlocking climate solutions investments and managing increasing climate and nature-related exposures.

Climate Corporate Engagement

Corporate Engagement remains a key lever for Japanese investors to manage climate risks and opportunities in their portfolios.

Reporting and Case Studies

63% of Japanese investors (22 of 35) publish stewardship reports, indicating investors expect the market to disclose climate corporate engagement related activities.

37% of Japanese investors have now published climate-related case studies on portfolio company engagements and outcomes, including some which name the portfolio company. These can be an important mechanism to demonstrate their corporate stewardship actions and show the necessary leadership to drive an effective transition.

Area of Practice: Corporate Engagement	Japan Investor Average	Japan Asset Owners	Japan Asset Managers	Overall Asia Investor Average	Overall Asset Owners	Overall Asset Managers	AIGCC Members Average
No. in sample	35 investors	22 investors	13 investors	230 investors	113 investors	117 investors	62 investors
Annual Stewardship/ Engagement Report	63%	50%	85%	39%	27%	50%	66%
Case Studies on Engagement Outcomes	37%	32%	46%	30%	20%	37%	50%
Proxy Voting Guidelines Including Climate/Net Zero	51%	22%	84%	34%	16%	52%	73%
Reporting on Voting Decisions	40%	32%	53%	39%	22%	55%	61%
Involvement in Climate Engagement Initiatives	54%	41%	77%	36%	19%	52%	77%
Climate Engagement Target	28%	14%	54%	20%	7%	32%	44%



Note: the percentages above represent the portion of investors who have either 'Achieved' OR 'Partly Achieved' the relevant criteria, therefore, the level of sophistication, comprehensiveness and effectiveness across metrics varies.

Despite material action under several corporate engagement related metrics, significant opportunities remain.

Engagement Initiatives

About half (54%) of the Japanese investors are participating in climate engagement initiatives, including CA100+ and the AIGCC Asia Utilities Engagement Program. This shows good progress compared to the 36% of the broader Asia market participating such initiatives.

Furthermore, by setting climate engagement targets, which 28% of Japanese investors have done, asset owners can support the engagement activities of asset managers and meaningful engagement outcomes. Investors can continue to use active engagement strategies with portfolio companies to drive improved climate outcomes, reducing portfolio risks while enhancing company value creation opportunities.

Climate Disclosures

Annual investor climate disclosures are increasingly common across Japan. Investors see comprehensive climate disclosures as important to appropriately represent and manage the financial risks of climate change. Producing and publishing standards-aligned climate disclosures helps investors rigorously understand their exposure and helps governments and other stakeholders understand the overall system risk.

The results show 72% of Japanese investors (25 of 35), with US\$11.1 trillion in AUM, have published their climate-related disclosures. This compares well to 54% of investors across Asia, a 6% increase on last year. 63% of Japanese investors have disclosed their portfolio physical risk assessments, though actions to build resilience and adaptation to climate risks remain nascent.

Area of Practice: Climate Disclosures	Japan Investor Average	Japan Asset Owners	Japan Asset Managers	Overall Asia Investor Average	Overall Asset Owners	Overall Asset Managers	AIGCC Members Average
No. in sample	35 investors	22 investors	13 investors	230 investors	113 investors	117 investors	62 investors
Portfolio Emissions Disclosure	46%	27%	67%	37%	26%	47%	71%
Publication of Advanced Scenario Analysis	60%	41%	92%	44%	28%	59%	88%
Publication of ISSB/TCFD-related Disclosures	72%	55%	100%	54%	39%	69%	87%
Disclosure of Physical Risks/Adaptation Actions	63%	41%	100%	43%	28%	58%	74%

Note: the percentages above represent the portion of investors who have either 'Achieved' OR 'Partly Achieved' the relevant criteria, therefore, the level of sophistication, comprehensiveness and effectiveness across metrics varies.

Although relatively more Japanese investors are publishing climate reports, the quality and nature of those disclosures varies greatly. Measuring and disclosing portfolio carbon emissions is an important level of disclosure for investors, but few asset owners across Asia, including those in Japan, yet do this. Investors have a continuing interest in



improving climate-related risk management and disclosure, to ensure stakeholders are informed of material risks and to inform investor decision making and active ownership.

Climate Policy Advocacy

Investors are seeing that collaborative and open dialogue with policymakers helps drive a supportive policy and regulatory environment for orderly investment in climate opportunities, and away from high-risk activities. Many investors now view climate policy advocacy as an extension of investor responsibilities to deliver the best outcomes for their beneficiaries, however AIGCC's research shows that investors remain slow to disclose policy engagement actions.

Area of Practice: Climate Policy Advocacy	Japan Investor Average	Japan Asset Owners	Japan Asset Managers	Overall Asia Investor Average	Overall Asset Owners	Overall Asset Managers	AIGCC Members Average
No. in sample	35 investors	22 investors	13 investors	230 investors	113 investors	117 investors	62 investors
Advocacy for Climate Policy/ Regulation	31%	14%	62%	25%	14%	35%	67%
Transparency of Climate Policy Advocacy Activities	14%	14%	15%	7%	5%	10%	19%
Support for Collective Climate Policy Positions	40%	18%	77%	23%	8%	38%	61%

Note: the percentages above represent the portion of investors who have either 'Achieved' OR 'Partly Achieved' the relevant criteria, therefore, the level of sophistication, comprehensiveness and effectiveness across metrics varies.

As evident above, a majority of Japanese asset managers are engaged in climate change policy in some capacity. This suggests that investors in Japan perceive climate change as a long-term market risk and aim to work collaboratively with policymakers to explore solutions.

However, few Japanese investors disclose specific information pertaining to their climate policy advocacy or engagements. While some investors do reference climate policy advocacy in annual reporting, this is an area where investors may benefit from enhanced support and guidance which AIGCC will continue to provide through its Policy Advocacy Working Group and Japan Working Group.



Takeaways

Japan's institutional investors are making progress as climate change considerations are an increasingly important factor for Japan's economic growth and the financial well-being of its citizens.

Leading investors are demonstrating advanced and detailed climate implementation across their assets, corporate engagement, and reporting on net zero progress and plans. In Japan, asset managers have taken a leading role in climate transition practices, but there is an increasing market expectation that the market's asset owners demonstrate similar climate leadership.

Contact

AIGCC looks forward to supporting investors across Japan to deepen their understanding and implementation of key areas of climate strategies integral to portfolio management.

We run a [Japan-focussed working group](#), and publish [Japan specific](#) briefings, news, analysis and thought leadership on a regular basis.

See here the full AIGCC [State of Investor Climate Transition in Asia Report 2025](#).

For further details or for enquiries about AIGCC, please contact info@aigcc.net.

About AIGCC



About AIGCC

The Asia Investor Group on Climate Change (AIGCC) is an organisation that creates awareness and supports action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing.

AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a net zero emissions economy. With a strong international profile, the AIGCC network engages with government pension and sovereign wealth funds, family offices, and endowments.

AIGCC provides capacity building and a leading forum for investors active in Asia to share best practice on climate-investment activity, risk management, engagement and policy related to climate change.