

## Approach

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## Endorsing the TCFD, Joining the TCFD Consortium

Ajinomoto Co., Inc. has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board<sup>[1]</sup>, and has announced its participation in the TCFD Consortium<sup>[2]</sup> launched in May 2019. Moving forward, the Ajinomoto Group will evaluate the risks and opportunities of climate change on business, and actively disclose relevant information in four areas: governance, strategy, risk management and metrics and targets, based on TCFD recommendations.

### Information disclosure in four areas based on TCFD recommendations

Governance	<p>The Management Risk Committee and Environmental Committee under the Executive Committee review the appropriate responses to the risks and opportunities related to climate change.</p> <p>The Management Risk Committee identifies the risks and opportunities related to climate change and considers the appropriate responses to them. The Environmental Committee develops the environmental targets and plans and monitors performance in keeping with the environmental management system. These are all reported to the Executive Committee at least once a year, which are then reported to the Board of Directors and included in the corporate strategy.</p> <p>The Board of Directors makes decisions on capital investments from an overall perspective, taking into account the environmental assessment results, including the impact of climate change.</p>
Strategy	<p>The Ajinomoto Group's business domains of products range from seasonings and coffee to frozen foods, and its business activities extend into Life Support and Healthcare. The geographic range of its operations spans the globe. Climate change can impact the Group's operations in many ways, such as a major natural disaster halting its business activities, affecting its ability to procure raw materials and fuel, and altering consumption of its products.</p> <p>For production in the short, medium and long term, the Group reviews the physical risks of climate change such as droughts, floods, rising sea levels and changes in yield of major raw materials, as well as transition risks such as rising energy prices, tight supply and demand, and price increases due to competition for major raw materials with other food sources and biofuels.</p> <p>From fiscal 2018, the Group included scenario analysis of the impacts of climate change on business and established a framework for a more quantitative assessment of the risks based on the TCFD recommendations.</p> <p>As a result of the scenario analysis, the Group will review counterstrategies against the physical and transition risks identified above, such as switching to energy sources with low GHG emissions.</p>
Risk management	<p>In light of the circumstances surrounding the Group, including global politics, economics, social conditions and climate change, the Management Risk Committee determines the overall level of risks based on the impact on business and likelihood of occurrence, selects the significant risks Group-wide and considers strategies to address them.</p> <p>Climate-related risks are regarded as part of Group-wide significant risks, and the impacts of physical risks and transition risks, such as legal risks and market risks, are evaluated based on published reports and expert advice.</p> <p>The Committee's review and recommendations are reported to the Executive Committee and the Board of Directors at least once a year.</p>
Metrics and targets	<p>In its medium and long-term environmental targets, the Group aims to reduce GHG emission volume vs. emission intensity by 50% and water usage vs. production volume unit by 80% compared to fiscal 2005 by fiscal 2030.</p> <p>In addition, CO<sub>2</sub> emissions and water consumption have been measured and disclosed since 1996.</p>

[1] An international organization of representatives of central banks, financial supervisory agencies, and finance ministries.

[2] A consortium for investors and companies supporting the TCFD to jointly develop and use industry-specific scenario analysis and quantification techniques.

### Performance

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### Summary of Scenario Analysis Conducted in Fiscal 2018

In fiscal 2018, the Ajinomoto Group conducted a scenario analysis of potential impact from the climate change risk until 2050 for Southeast Asia using the model of umami seasoning *AJI-NO-MOTO*<sup>®</sup>, one of the Group's major products, under the scenario of a 2°C rise in average global temperature in 2100. The analysis examined droughts, floods, rising sea levels and changes in yield of main raw materials as physical risks, as well as rising energy prices, tight supply and demand, and price increases due to competition for major raw materials with other food sources and biofuels as transition risks.

For physical risks, the Group had anticipated that main raw materials will be affected by the rising frequency of floods, droughts and pests, but the scenario analysis showed that the impact of the physical risks on profits is not large in Southeast Asia, where the main production plant of *AJI-NO-MOTO*<sup>®</sup> is located.

On the other hand, the analysis revealed that rising energy prices and carbon tax increases in case of a shift to a lower carbon economy as the impact of climate change worsens may have a significant impact on the production costs of *AJI-NO-MOTO*<sup>®</sup> and business profits. The Group aims to fast-track ongoing measures, such as the switch to renewable energy and low-GHG energy sources and the development of production technologies using non-edible raw materials to curb rising production costs of *AJI-NO-MOTO*<sup>®</sup> while contributing to global sustainability in case of rising raw material prices and carbon tax increases due to climate change.