

# Sustainable procurement of raw materials

## Approach

GRI201-2  
 GRI204-DMA  
 GRI301-DMA  
 GRI414-DMA

- ▶ Ajinomoto Group Palm Oil Procurement Guidelines
- ▶ Ajinomoto Group Paper Procurement Guidelines
- ▶ Participation in RSPO
- ▶ Participation in CSPU

## Performance

### Identification of Critical Raw Materials

The Ajinomoto Group identifies critical raw materials that are derived from agriculture, forestry, and fishing requiring more focused action. The identification process involves determining all the raw materials used in operations, which are then analyzed by internal divisions and external experts including NGOs. Assessment is based on an overall perspective that includes several factors such as dependency on all the materials used, the availability of alternative materials, and relevance to global environmental sustainability. Critical raw materials are reviewed annually to reflect changes in business, the global environment, and other factors.

Recognizing that deforestation has a substantial impact on climate change, biodiversity, and also to human rights issues, the Group has stepped up measures related to palm oil, paper, and other agriculture and forestry resources. The Group promotes to procure certified raw materials, ensure the partnership with various initiatives as well as to establish its own traceability systems and implementation of audits based on the Ajinomoto Group Palm Oil Procurement Guidelines and Paper Procurement Guidelines.

### Raw materials critical to the Ajinomoto Group

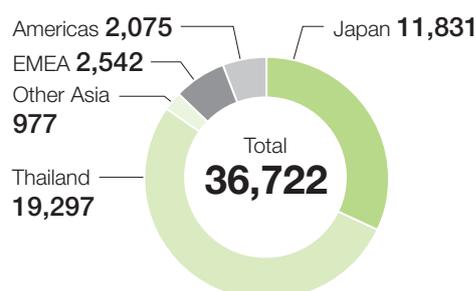
Agriculture and forestry resources	<ul style="list-style-type: none"> <li>· Palm oil, an ingredient in processed foods and specialty chemicals</li> <li>· Paper, used as office paper and in containers and packaging for processed consumer foods</li> <li>· Sugar crops, used in fermentation process of amino acids</li> <li>· Coffee beans</li> </ul>
Fisheries resources	<ul style="list-style-type: none"> <li>· Skipjack, an ingredient in <i>HON-DASHI</i><sup>®</sup> and in bonito flakes</li> <li>· Shrimp, an ingredient in frozen foods, etc.</li> </ul>

### Sustainable Palm Oil

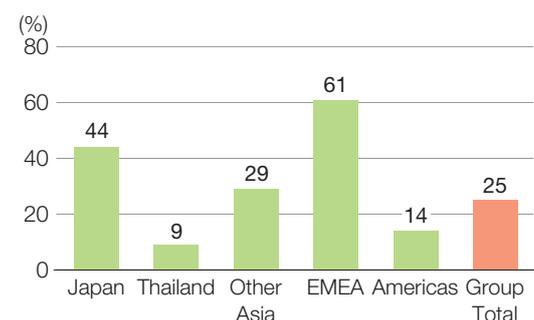
The Ajinomoto Group uses palm oil in a variety of products and applications, from processed foods such as cup soup, instant noodles, and coffee creamer, to specialty chemicals made in regions spanning Japan, Southeast Asia, Europe and South America. Since certain products use palm kernel oil, which is harder to procure in certified form, and certain regions have limited supplies of certified palm oil, the Group defines palm oil that is either certified by the Roundtable on Sustainable Palm Oil (RSPO) or that is traceable to sustainable sources as sustainable.

With a target to procure 100% sustainable palm oil by fiscal 2020, certified palm oil accounted for 25% of use in fiscal 2018. The use of palm oil with verified traceability is still being aggregated. In Thailand, where it is difficult to procure certified oil, the Group began tracing its own supply chain up to the palm oil mills in fiscal 2018.

#### FY2018 palm oil procurement by the Ajinomoto Group (tons)



#### FY2018 certified palm oil procurement ratio



## Sustainable Materials Sourcing

### Performance

GRI204-DMA  
 GRI301-2  
 GRI301-3

### Approach

GRI204-DMA

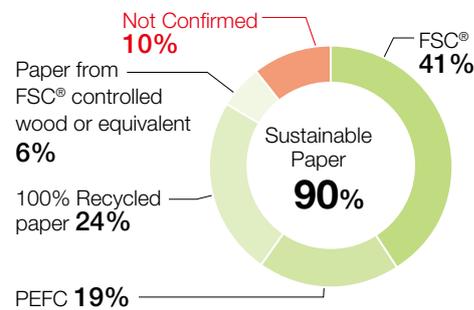
### Performance

### Promoting Use of Sustainable Paper

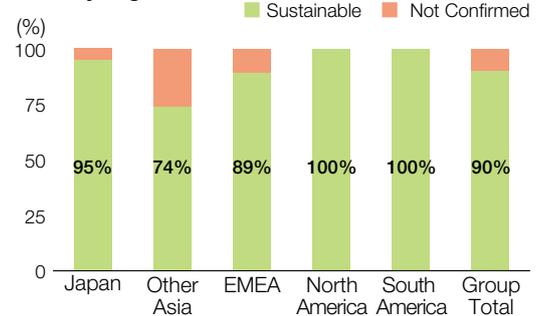
The Group is promoting procurement of paper containers and packaging based on its Paper Procurement Guidelines. The guidelines define paper that is “sustainable” as paper that is not derived from deforestation in areas of high conservation value and paper that is procured from providers that produce it through proper procedures in accordance with laws and regulations of the production areas and with international human rights standards. Sustainable paper includes paper certified by the Forest Stewardship Council® (FSC®) as well as recycled paper and paper made from FSC® Controlled Wood.

With a target to procure 100% sustainable paper by fiscal 2020, in fiscal 2018, sustainable paper use out of the total container and packaging paper use was 90% within the Group.

**FY2018 sustainable paper procurement ratio**



**FY2018 sustainable paper procurement ratio by region**



### Sustainable Procurement of Coffee Beans

Coffee beans are grown in areas of the world rich in biodiversity, often by small farms.

The Ajinomoto Group has been striving to procure coffee beans produced at farms that adhere to standards set by the 4C certification system, which aims to improve environmental conditions at coffee farms and better the lives of farm workers while encouraging sustainability in production and distribution.

In fiscal 2018, procurement rate of coffee beans produced at farms that adhere to 4C's set standards was approx. 40%.



### Performance

### Coffee Cultivation Test Using High Value-added Fertilizer

The Ajinomoto Group has been conducting test in different coffee-producing regions with the goal of using high value-added fertilizer made with fermentation co-products to grow coffee. Eventually, the coffee would be purchased and used to make Group products in a circular economy.

#### Activities in Colombia

The Group conducted a test using *AJIFOL*<sup>®</sup> foliar fertilizer to enhance resistance to coffee rust and other diseases. Having confirmed significant benefits, the project is moving to the stage of verifying its effectiveness on the level of gene expression.

#### Activities in Vietnam

The Group continued verification testing on plots using *AJIFOL*<sup>®</sup> and *AMI-AMI*<sup>®</sup> and gave training and technical guidance to local farmers. Fiscal 2019 plans include installing irrigation facilities and expanding the area of fertilizer application.

#### Activities in Indonesia

Tests aimed at yield improvement noted a deeper, improved coffee leaf color particularly in plots sprayed with *AJIFOL*<sup>®</sup>. The Group plans to continue this research.

#### Activities in Brazil

A two-year trial of applying *AJIFOL*<sup>®</sup> to increase coffee yield resulted in yields and bean size on par with conventional fertilizers, with no observable difference in appearance. Now that the test is complete, the Group is considering continued use in normal coffee cultivation.



## Sustainable Materials Sourcing

### Framework

GRI204-DMA  
 GRI308-DMA  
 GRI407-DMA  
 GRI414-DMA

### Performance

GRI204-DMA  
 GRI407-DMA

▶ Group Shared  
 Policy for  
 Suppliers

▶ P81

GRI204-DMA  
 GRI408-DMA  
 GRI408-1  
 GRI409-DMA  
 GRI409-1  
 GRI411-DMA  
 GRI412-DMA  
 GRI412-1  
 GRI414-2

▶ Group Shared  
 Policy on Human  
 Rights

## Supply Chain Management

Ajinomoto Co., Inc. draws up the procurement policies for the whole Group. Group companies then create plans and strategies and implement based on such policies. The Ajinomoto Group Global Procurement Conference is held as needed to share procurement policies and best practices within the Group.

## Supply Chain Initiatives

The Ajinomoto Group seeks understanding and cooperation from suppliers for securing human rights compliance and social responsibility in the supply chain by communicating its sustainability-related expectations of suppliers through the Group Shared Policy for Suppliers.

In addition, in May 2018, the Group joined Sedex, a collaborative platform for sharing responsible sourcing data on supply chains (where suppliers and buyers can disclose and view information related to business practices and sustainability). In fiscal 2018, the Group held explanatory meetings and issued written notices to primary suppliers in Japan in preparation for requesting that they join and share data through Sedex. The Group plans to evaluate and communicate with suppliers using Sedex from fiscal 2019 onward, and it will also collect information from suppliers that do not join by asking them to respond to a self-assessment questionnaire similar to that used by Sedex.

- Participation in fiscal 2018 supplier information sessions: 340 suppliers, 548 people

## Supplier Hotline

The Ajinomoto Group established a supplier hotline in June 2018. The hotline complements those for Group executives and employees and have been used to receive reports from suppliers to facilitate the early detection and correction of the Ajinomoto Group executive and employee behaviors that are potentially in violation of the law or the Ajinomoto Group Policies (AGP). Ultimately, the hotline will also be used to detect human rights, environmental and other violations in the supply chain.

## Human Rights Due Diligence

The Ajinomoto Group is showing its aim for creating a mechanism for human rights due diligence and implementing it on an ongoing basis in the Group Shared Policy on Human Rights. Based on the policy, the Human Rights Advisory Committee, composed of both functional and business divisions related to human rights, is studying and raising awareness on global human rights issues, while also building a mechanism for managing human rights through human rights due diligence.

In fiscal 2018, the Group conducted a human rights impact assessment (human rights due diligence investigation by third party and interviews with various stakeholders) on particularly labor-intensive shrimp and chicken processors in Thailand. The results found no serious issues in both shrimp and chicken processors.

## Sustainable Materials Sourcing

### Approach

GRI204-DMA

▶ Group Shared Policy on Better Mutual Relationship with Animals

### Performance

GRI204-DMA  
 GRI416-DMA  
 GRI416-1

▶ P55

## Animal Welfare

Animal-derived ingredients such as meat, eggs, and extracts are essential to Ajinomoto Group food products. Meanwhile, interest in animal welfare (animal husbandry practices that seek to provide a healthy life by minimizing stress and satisfying behavioral needs during the animals' lifetime) in the raising of livestock is on the rise.

The Group has published a Group Shared Policy on Better Mutual Relationship with Animals and is working to promote animal welfare in its value chain.

## Livestock Traceability Survey

In fiscal 2018, Ajinomoto Co., Inc. shared the Group Shared Policy on Better Mutual Relationship with Animals with all primary suppliers in Japan, and began a traceability survey of its supply chain with 23 meat and meat extract suppliers in Japan. Information on the status of suppliers' compliance with country-of-origin regulations and guidelines and ability to trace product back to farms is being collected and used to identify issues and categorize risks. Ajinomoto Frozen Foods Co., Inc. is also preparing to conduct a similar survey.

From fiscal 2019 onward, the Group will implement the above-mentioned survey at Ajinomoto Frozen Foods Co., Inc. and also collect information on chicken eggs, meat, and other raw materials gaining increased interest from an animal welfare perspective. Overseas, the Group will keep track of the status of legal development and target raw materials, and plan to share policies among suppliers.

## Feed-use Amino Acids as Solution to Animal Nutrition Issues

Proteins, indispensable compounds for all animals, consist of approximately 20 different amino acids, several of which cannot be synthesized internally in sufficient quantities. These amino acids can be supplemented through the animal's feed.

Adding feed-use amino acids can improve the essential amino acid profile of feeds that consist mainly of wheat and/or corn and thus are poorly balanced. The improved amino acid balance not only can increase feed efficiency and promote growth, but also can reduce environmental impact by reducing excreted nitrogen.

