Resolution of Social Issues through ASV (Ajinomoto Group Creating Shared Value)

Participation in the global action to tackle global issues

The world is increasingly globalized, with each country and region facing issues threatening livelihoods and the global environment. Both developed and developing countries must tackle these issues and actively find solutions.

The UN Sustainable Development Goals (SDGs) consist of 17 goals and 169 targets to be achieved by 2030. A key principle of the SDGs is that, as well as the national governments, private companies and citizens also need to play a proactive role in the global effort.

Approach to the issues facing 21st-century human society

In its centenary year of 2009, the Ajinomoto Group announced “three material issues facing 21st-century human society” to tackle through its business activities. To select these issues, the Group reviewed the UN Millennium Development Goals (MDGs), predecessor of SDGs, and engaged its stakeholders in the process to ensure diverse perspectives were included.

As a global corporation, the Ajinomoto Group is committed to being a part of the global effort to achieve the SDGs.

Components of ASV

Health and well-being
Nutritional imbalance due to changes in the food environment
• Lack of knowledge and information on nutrition
• Access to nutrition and information is difficult for disadvantaged and poor people in the emerging countries

Food resources
Depletion of food resources, increased in food loss
• Overflowing food demand and food loss, as the global population increases

Global sustainability
Destruction of the global environment
• Global warming

Building a healthier society by helping people to eat well
• Developing products tailored to regional food cultures
• Making the most of umami to help solve health issues
• Developing human resources to promote better nutrition for children

Health support using AminoScience
• Preventing lifestyle-related diseases with amino acid-related products
• Supporting early detection of cancers based on amino acid knowledge
• Business expansion in the biopharmaceutical field

Providing even more value with even fewer resources
• Reducing food resource consumption through resource-saving fermentation technologies
• Developing food processing technology that can utilize food resources more effectively
• Expanding the co-products business to improve the yield and quality of crops

Developing technologies to create replacements for limited resources
• Developing high-titer seasonings and sweeteners
• Improving feed efficiency using feed-use amino acids and reducing the amount of arable land required
• Researching uses for the fermentation of inedible raw materials

Reducing the impact on the natural environment, and striving for ecosystem conservation
• Reducing CO2 emissions per unit of production and water consumed per unit of production
• Land and water use that is friendly to local ecosystems
• Expanding sustainable procurement throughout the supply chain

Ajinomoto Group Sustainability Data Book 2017
Creation of value through problem resolution

Since its foundation, the Ajinomoto Group has always focused on solving social issues through its business activities. Its success lies in creating values together with local communities and wider society. The group has named this philosophy at the heart of its business the Ajinomoto Group Creating Shared Value (ASV). The Group believes it can become a genuine global specialty company through ASV, and has developed its FY2017-2019 Medium-Term Management Plan (for 2020) centered on the evolution of ASV.

Social issues change constantly, and there may be more than one way to solve them. As ASV is put into practice, it is important to stay aware of global issues and focus on using the Group’s unique strengths, technologies and passions to tackle them. To do this, it is necessary to continue engaging stakeholders and communicating to consumers what the Ajinomoto Group believes and what actions it is taking.

The Ajinomoto Group’s business is food, the foundation of all life. The Group will continue its efforts, confident that it can help solve social issues in its own unique ways.

ASV Value Creation Stories

1. We contribute to health and well-being by utilizing our leading-edge bioscience and fine chemical technologies, which also lead to deliciousness technologies, and by delivering good and healthy food.

2. We contribute to the development of a society that enables strong family/social bonds and diverse lifestyles through eating well.

3. We contribute to the sustainability of society and the earth with our customers and local communities, across the value chain from production to consumption.

4. We co-create value with each region through the perspectives of the customers, with our global top-class and diverse talent.
How Business Activities and Social/Economic Value Connect

“Genuine Global Specialty Company”
To become a global top 10 class food company that grows sustainably through ASV

Integrated Value
Corporate Brand

Enhance brand value through creating social/economic value, which leads to further value creation
FY2020 brand value target = US$1,500 million or more

Non-financial targets (social value)

Better nutritional balance by eating more proteins and vegetables with umami
Meat and vegetable consumption through our products (Japan and Five Stars)
- Meats: 8.6 million tons/year; 19% (9.7 kg/person/year) vs. FY2015 +3% (+2.0kg)
- Vegetables: 5.5 million tons/year; 8% (6.2 kg/person/year) vs. FY2015 +2% (+1.6kg)

<Business activity example>
Produce good and healthy food menus with proteins and vegetables centered on umami

More eating together
Contribution to eating together through our products (Japan and Five Stars)
- 70 occasions/household/year vs. FY2015 +20 times

Smart and delicious cooking
Spare time created through our products (Japan)
- 38 million hours/year (6 hours/year/household) vs. FY2015 +7 million hours

<Business activity example>
Provide food products that enable smart and delicious cooking

People’s comfortable lifestyle
Contribution to comfortable lifestyle through our amino acid products (AminoScience)
- 22 million people vs. FY2015 +4 million people

<Business activity example>
Provide products supported by our amino acid technologies

Resolution of environmental issues
Contribute to the global environment throughout the procurement, production, and consumption processes
Contribution to the global environment through initiatives ahead of standard international targets

<Business activity example>
Construct a value chain that optimizes the use of resources

Improved employee engagement
Employees with high engagement 80%

<Business activity example>
Improve working environments supported by ICT

Financial targets under IFRS (economic value)

- Total sales ¥1,350 billion (+¥260 billion)
- Umami seasonings +100K tons
- Flavor seasonings +90K tons
- Frozen foods +30 million packages
- Soups 100 million servings
- Amino acids +80K tons

Cost reduction
- ¥10 billion

Higher specialty ratio through innovation
- ¥2.5 billion

International sales growth rate (consumer foods) (local currency basis)
Double-digit annual growth

Business profit margin 10% or higher

EPS growth rate Double-digit annual growth

Business profit ¥137.0 billion or more

Ajinomoto Group Sustainability Data Book 2017
Ajinomoto Group Business and CSR 5
Stakeholder expectations (Excerpts from a survey of experts)

**Health and well-being**
- Promote the nutritional, healthy development of the poor, disadvantaged, and socially vulnerable in developing countries (particularly children under 5, girls, and pregnant and nursing women) through nutritious, inexpensive, and shelf-stable food products deployed on a global scale.
- Address the nutritional challenges of seniors through research and development of functional food products, especially those that utilize amino acids.

**Food resources and global sustainability**
- Fishery resources in the waters around Japan and elsewhere are in a critical state. As their end product manufacturer, it is the Group’s obligation to immediately address this issue to sustainably use these resources.
- With the projected population increase and climate change, providing sustainable food production and consumption is very important for business. This will require support all the way up to the agricultural producers. Crop issues and factors that need addressing should be identified and given attention in order of priority.
- Food waste is an issue that should be addressed with a set target, particularly in Japan. As an industrial leader, the Group can implement initiatives in partnership with the government sector, distributors, consumers, NPOs, and others.

**Fundamental business activities**
- The responsibilities of cooking and childrearing rest on the shoulders of women, especially in developing countries. Women’s empowerment is the shortest road to fostering the next generation, and even to speeding up social progress.
- Set a real example for what truly decent work without discrimination looks like. A positive spiral should be created in which working people take pride in being part of the Ajinomoto Group value chain, which in turn drives Group growth.
- Various hurdles stand in the way of solving nutrition and other complex social issues. The Group should overcome these hurdles by collaborating with stakeholders who share the same awareness of the challenges and, going further, should build and lead alliances to change social trends.
Ajinomoto Group Materiality

■ Resolution of 21st-century human society issues

Following a series of internal and external discussions, the Ajinomoto Group clarified its position on resolving issues facing 21st-century human society at the time of its centennial anniversary in 2009, declaring its intention to contribute through business to three material issues: global sustainability, food resources, and health and well-being.

While committing to coexist and develop with society, each department within the Group is tasked with laying out plans to address these issues using the Group’s unique technological and product development expertise and value-chain influence.

Following multiple discussions, the Ajinomoto Group is rethinking the relationship between its business and social issues by selecting and organizing materiality items. The Group addresses these materiality items based on the following matrix, which was designed in 2015 and reviewed in 2017 to incorporate new social trends.

■ Materiality matrix of the Ajinomoto Group (Fiscal 2017 revised)

[Diagram]

■ Materiality items updated

Since the Ajinomoto Group organized its materiality items in 2015, the world has witnessed significant progress on sustainability, including the entry into force of the Paris Agreement and the adoption of UN Sustainable Development Goals (SDGs). The Group also had a frequent discussion on materiality when determining its FY2017-2019 Medium-Term Management Plan.

In light of these new developments, the Ajinomoto Group felt it necessary to update its materiality items to better guide future initiatives.

The Group considered information from various sources when renewing its materiality items, including opinions from internal departments, and suggestions and opinions collected from 56 external experts via the survey on SDGs and expectations for the Ajinomoto Group.

[Major revisions]

Relative importance of individual items re-examined
The importance of the following items was raised to reflect a deep connection with Ajinomoto Group operations and growing external expectations for more aggressive action: sustainable procurement of agriculture, livestock, and fishery products; promotion of suppliers’ CSR; food loss and waste; water; child and forced labor.

Additional items
Items added to reflect the Ajinomoto Group Medium-Term Management Plan and SDGs: eating together; sustainable consumption, reduction of environmental impact from containers and packaging.

New terms and expressions
Human resources development was divided into employee capacity development and employee diversity. Preventing corruption was changed to transparent, fair business practice.
Identification of Material Issues

The Ajinomoto Group collects opinions from external experts in a variety of forms to help clarify the importance and priority of individual operations when creating value through business. We ask those experts to evaluate recent social trends and Ajinomoto Group activities. Opinions are shared internally at the business planning level to ensure the Group proactively pursues activities that fulfill social expectations.

2005
- April: Advocating CSR management
- October: CSR Vision and CSR Goals for 2020 announced

2008
- Comprehensive CSR strategy established

2009
- Philosophy revised for the Group’s 100th anniversary
- Group selects three material issues facing 21st-century human society

2014
- “Ajinomoto Group Creating Shared Value” initiative (“ASV”) announced

2015
- Integrated targets announced in the FY2017-2019 Medium-Term Management Plan

Survey for experts
(Experts familiar with Ajinomoto Group activities, having participated in previous internal workshops and dialogues or cooperated on external activities)

Survey period: August 2016
Survey participants: 56 external experts

Materiality items warranting higher importance (multiple responses allowed)

- Promotion of suppliers’ CSR
- Sustainable agriculture, livestock, and fishery
- Child and forced labor
- Responsible marketing, educating the public
- Diversity
- Climate change
- Water
- Preventing corruption
- Biodiversity
- Employee health and safety
- Employee education
- Gender equality
- Community development
- Animal welfare

From an operational perspective, they apparently consider food and nutrition-related items are of high importance to society, but from a longer-term perspective, topics such as climate change, water, and waste reduction may well increase in importance.

The items in the top right of the matrix are extremely important operationally, but surely sustainable procurement of agriculture, livestock, and fishery products should also increase in importance, as a key input factor upon which continued operational development depends.

Promotion of suppliers’ CSR should rank higher in importance both to society and the Group’s business as the human rights’ risks within the corporate value chain rise across the supply chain.
Dialogues and Collaboration with Stakeholders

To become and grow as a truly global company trusted by people around the world, the Ajinomoto Group needs to maintain ongoing dialogue with various stakeholders and incorporate their feedback into its corporate activities. Through continuous dialogue and collaboration, the Group endeavors to make a positive contribution to society and the environment.

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Key engagement opportunities</th>
<th>Results</th>
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<tbody>
<tr>
<td>Customers/Consumers</td>
<td>Customer call centers (five food companies in Japan, certain overseas subsidiaries)</td>
<td>Used customer input to improve products and services Made efforts to improve customer satisfaction with product investigations (Consumer Issues P129-132)</td>
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<td></td>
<td>“AJINOMOTO PARK” recipe &amp; community website</td>
<td>Cultivated the awareness of the Group’s sustainability efforts and a sustainability mindset of event participants (Consumer Issues P143-146)</td>
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<td>Various events</td>
<td>Hosted factory tours at three Ajinomoto Co., Inc. business sites in Japan for around 58,000 people (FY2016)</td>
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<td>Factory tours</td>
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<td>Shareholders/Investors</td>
<td>Annual general meeting of shareholders</td>
<td>Strengthened corporate governance system (Integrated Report 2017 P50-61)</td>
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<td></td>
<td>Analysts’ meetings on financial results</td>
<td>Updated Corporate Governance Report (end of June 2017)</td>
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<td></td>
<td>Briefings for institutional investors on ESG (environment, society, governance) efforts</td>
<td>3rd Environment, Social and Governance (ESG) Meeting for analysts and institutional investors “Contributing to a healthier life through food and amino acids” (March 2017)</td>
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<td>Suppliers</td>
<td>Communication in day-to-day business</td>
<td>Suppliers gained awareness of the CSR issues they need to address (Fair Operating Practices P38)</td>
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<td>Food defense explanatory meetings and audits</td>
<td>Conveyed the Group’s thinking and plans for more sustainable procurement of each key raw material (Fair Operating Practices P59-62)</td>
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<td>SAQs (self-assessment tool for suppliers)</td>
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<td>Employees</td>
<td>Ajinomoto Group Way sessions</td>
<td>Approximately 33,000 group employees worldwide have attended Ajinomoto Group Way sessions as of the end of FY2016</td>
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<td></td>
<td>ASV (Ajinomoto Group Creating Shared Value) sessions</td>
<td>All employees are scheduled to attend the ASV session by the end of FY2016 (Labor Practice P74)</td>
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<td>By-rank/division training</td>
<td>AGP awareness: 31 worksite meetings on AGP, attended by 297 participants in FY2016 (Organizational Governance P53)</td>
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<td></td>
<td>Ajinomoto Group Principles (AGP) questionnaires</td>
<td>Number of hotline reports: 63 reports to Japan group companies in FY2016 (Organizational Governance P53)</td>
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<td></td>
<td>AGP worksite discussions</td>
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<td>Whistleblower hotline</td>
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<td>Harassment advisory service</td>
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<td>Local communities</td>
<td>Factory dialogue with neighborhood residents</td>
<td>Launched an environmental monitor system (Kawasaki Administration &amp; Coordination Office, Ajinomoto Co., Inc.), held meetings with neighborhood associations and joined local events</td>
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<td>Participation in and sponsorship of community events</td>
<td>Supported the Red Apron Project since 2011, providing nutritional guidance and facilitating communication through cooking classes for those affected by the Great East Japan Earthquake (FY2017) (Community P147-148)</td>
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<td>Scholarships and other foundation-based activities (in four countries)</td>
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<td>Recovery assistance for communities affected by natural disasters</td>
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<td>Smile Earth! community environment program</td>
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<td>NPOs/NGOs and external experts</td>
<td>Ajinomoto Group Sustainability Forum</td>
<td>Discussed internally how to incorporate various opinions received through dialogue into sustainability and CSR plans (Ajinomoto Group Business and CSR P8-12)</td>
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<td>Dialogue on the Group’s sustainability and CSR activities</td>
<td>AIN program results (FY1999 through FY2016, include ongoing): 79 projects in 14 countries, approximately 140,000 beneficiaries, representing a 310-million-yen grant (Community P141-142)</td>
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<td>AIN program for supporting NPOs/NGOs working in the food and nutrition field</td>
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Feedback from external stakeholders

I understand this as an expression of the Ajinomoto Group’s deeper commitment to common social challenges under the international framework of the SDGs. In order to join a top 10 global food companies, it is important that the Group ensures the sustainability of its raw materials by considering all aspects of its supply chain, including water, land and energy issues as well as the livelihood and human rights of workers in the supply chain. It also needs to ramp up its activities on a higher plane; for example, it could apply its unique expertise in AminoScience to reduce the environmental impact of food production drastically. Food is one of the most basic foundations of human society. The company could make contributions far wider than the SDG challenges presented in the medium-term plan. For example, transforming dietary and cooking habits and offering smart cooking solutions for diverse lifestyles could contribute to Goal 5: Gender equality. I hope to see the Ajinomoto Group emerge as a true global leader of the food industry.

We are facing food shortages as global warming accelerates and conflicts and terrorism destroy communities and agricultural land. At the same time, food loss is a major global issue. I believe the Ajinomoto Group has a major role to play in the effort to reduce raw material losses in developing countries as well as consumer education in developed nations. In order to achieve the SDGs on sustainable production and consumption, the company should not only focus on the product lifecycle perspective in its corporate activities but also tell consumers the stories of “the life of things”, all the way from raw materials to eventual disposal at home.

I believe that the food industry, which uses agricultural, livestock, and fisheries products as raw materials, should take a proactive stance towards sustainable procurement, which can have an impact throughout global supply chains. I would like to see the Ajinomoto Group use all its technologies to lead the world and make a great contribution to the lives—especially dietary lives—of people around the world.

Naoki Adachi
CEO, Response Ability, Inc.

Minako Oishi
Director & Vice Chair, Nippon Association of Consumer Specialists
In the non-financial information disclosure of the Ajinomoto Group, the environmental goals appear to be both bold and concrete.

On the other hand, when I look at the social goals and indicators, it seems to me that they have been linked to the business domains in a rather unnatural way. Wouldn’t it be better to be more straightforward and set goals such as, to give a few examples, “the protection of workers in our global supply chain and the protection and support of producers and suppliers,” or “nutritional support in countries where malnutrition is an issue,” “the provision of adequate nutrition in countries where obesity is an issue,” etc.

When it comes to governance related goals, including nuances such as, for example, “a highly diverse work force working with a high degree of integrity,” or “creating a world class workforce responsive to and collaborating with our stakeholders” would sound more proactive.

The food industry is closely linked to all of the Sustainable Development Goals (SDGs). In addition to eradicating hunger, improving nutrition, security and safety of food resources, reducing waste and managing water, the eyes of the world have been on the human rights and climate change issues over the past few years within the ever expanding global supply chains. Consumers are increasingly making food choices based on producers' social and environmental records.

The international NGO Oxfam has been running the “Behind the Brands” campaign since 2013, in which they assess the environmental and human rights efforts of the top 10 food and beverage companies.

The most urgent issues include increasing the earnings of small-scale farmers, expanding the participation of rural women in decision-making, protecting land rights, and improving working conditions in farms and fish processing factories. In order to solve these issues, food companies must have sufficient dialogues with communities, collaborate with other companies in the industry and governments to achieve collective impact, and ensure responsible procurement practices.
Human rights considerations are an essential part of any business activity.

A global company must operate on the understanding that human rights violations cannot always be prevented and, on that basis, ensure that it has the necessary governance structure in place to resolve these issues earnestly as and when they arise. To do so, it must have full traceability across its entire value chain from raw material procurement to sales. It must also review potential human rights risks in advance, and clarify who is responsible in each of those areas within the group or the supply chain. It should also listen to stakeholders affected by human rights issues, and establish a transparent governance framework for making improvements that reflect their inputs.

Even if problems do arise, a company that is able to tackle them diligently and appropriately can indeed improve its reputation.

The United Nations Decade of Action on Nutrition kicked off in 2016, urging public and private sectors to tackle the double burden of malnutrition across the globe: hunger and micronutrient deficiency on one side, and obesity on the other. The Ajinomoto Group has taken up the challenge and launched the Ajinomoto Group Creating Shared Value (ASV) initiative in February 2017. It aims to increase economic value through the creation of social value, as well as contributing to the resolution of social issues such as improving nutrition. The Group has proven know-how, through providing AJI-NO-MOTO® and flavor seasonings, to help people eat a wider variety of food. It also has a global network across countries at different stages of economic development, and an insight into enriched food cultures based on diverse ethnic and faith traditions, dietary customs, and food production approaches. For nutritional improvement, it is essential to secure the quantity, quality, and variety of foods. I look forward to seeing the Ajinomoto Group making the most of its expertise and playing a leading role in the creation of CSV business models in this area.