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# Global review

The Ajinomoto Group's Integrated Report 2020 and Sustainability Data Book 2020 have been reviewed by representatives of important stakeholder groups in Europe, the Americas, and Asia. The Group will use their input to help shape its future sustainability initiatives as a "solution-providing group of companies for food and health issues."

## Perspective from Europe

### Ajinomoto Group's role in society

I have been reviewing the Ajinomoto Group's sustainability and ESG disclosures for several years, and remain impressed with the vision, commitment, and transparency of the Group's sustainability journey. I have observed consistent improvement over the years in both the strategic approach, reflecting the role the Group plays in society, and also in the transparency of disclosure. In the Group's 2014 Sustainability Report, I commented: *"In today's world, it is not enough to simply be a food or food-ingredient producer. Leading companies view their contribution to society more holistically by identifying and managing the impacts they generate throughout their entire value chain. Such companies, for example, strive to educate consumers and help them adopt healthier and more sustainable lifestyles."* I believe this comment remains true today, and even more urgently given the new challenges we face as a global society. COVID-19 has amplified inequalities around the world and has shed new light on the problems of isolation, loneliness and poor nutrition, not only for the elderly, but for people of all ages and backgrounds. Similarly, COVID-19 restrictions have reduced out-of-home eating options so home cooking must provide essential nutrition. The fact that the Ajinomoto Group has had a keen sense of integration and alignment with societal needs over the years has positioned the Group to better address the impacts of the COVID-19 pandemic on its consumer base, its employees and other groups. Based on this strong foundation, the Group is well placed to address these priorities as we emerge from this unprecedented year of 2020. I was pleased to see a specific COVID-19 response section in the Group's 2020 Integrated Report.



**Elaine Cohen**

Founder and CEO  
Beyond Business Ltd.

### A bold leadership message and strong vision

I read President and CEO Takaaki Nishii's letter introducing the Integrated Report with fascination and awe. This frank and candid laying out of the considerations that led the Ajinomoto Group to a new way of defining and measuring success is not characteristic of the often rather general, formal CEO letters published in such reports. Mr. Nishii shares deep, personal reflections of where the Ajinomoto Group has succeeded, where it has not achieved its potential, and how this has prompted new thinking about where the Group can make its most valuable contribution to society and deliver growth outcomes. Interspersed with personal anecdotes, I am inspired by Mr. Nishii's honesty, wisdom and vision. The Group's new expression of its social purpose and promise to become a "solution-providing group of companies for food and health issues" shows a clear path forward, and the two ambitious 2030 goals underpinning this - extend the healthy life expectancy of one billion people and reduce environmental impact by 50% - are aligned with pressing social and environmental imperatives.

### Evidence of transformation

The Ajinomoto Group's 2020 Integrated Report is strongly evident of a transformation occurring within the Group. The inclusion of many personal perspectives and commentaries from pivotal leaders in the organization and from external experts - a step change from past reports - makes this report personal, relevant and credible. The presentation of the 2030 Vision is cleverly structured and shows a rationale and a progression towards two overarching outcome-based goals. Achieving these will require consistent actions through all parts of the Ajinomoto Group value chain over several years, and articulation of these goals in such a focused way will motivate and empower the entire organization to single-mindedly drive the desired outcomes. Few companies achieve this level of clarity in integrated thinking and planning, and few are able to present it so clearly.

As always, when I see outcomes-based goals, my first thought is: how will success be measured? I was gratified to read that the Group has a plan to use disability-adjusted life year (DALY) methodologies to establish KPIs that measure life expectancy outcome. With such an important and far-reaching objective, it is imperative that the Group develops a robust and credible way of measuring success. I hope to see this in the next Integrated Report.

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### Perspective from Europe

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#### Model transparency

The sheer scale and detail in the Ajinomoto Group's disclosure is nothing short of spectacular. This includes: explicit context describing the food and nutritional issues the Group promises to address, references to externally validated science and benchmarks, materiality process description and definitions, connection to global and local initiatives and partnerships, a roadmap for companywide operational transformation and actions across 2025, 2030 and even 2050 timelines. All of these disclosures, across both the Integrated Report and the Sustainability Data Book, that complies with Global Reporting Initiative (GRI) Standards, are demonstrative of a deep commitment to transparency and represent, in my view, a model for enlightened and balanced disclosure.

The Ajinomoto Group's reporting this year is very forward-looking – at least as much content is centered on how the Group intends to achieve its 2030 Vision in the Medium-Term Management Plan as there is content describing past efforts. Five-year data tables across ESG metrics gives users a view of the Group's historic performance. Further, the navigational aspects of the reporting suite – including the updated sustainability website – make it easy to locate information, structured in line with the material topics, both for online reading and download. Performance data tables in spreadsheet format allow users to easily use data for their own analysis.

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#### An opportunity

The Ajinomoto Group achieves a high standard of comprehensive, balanced, material, transparent and forward-looking disclosure. Nonetheless, I think there is an opportunity to center annual reporting on performance and achievements in the reporting year (and future plans) by consolidating and referencing multi-year content (strategies, policies, positions, frameworks, technical content) into a bank of supporting documentation on the Group's sustainability website. With a combined 200+ pages in the current Integrated Report and Sustainability Data Book, even though navigability is easy, there's a lot to navigate. Shorter reports are easier to use, and those requiring more background and context can have the option of viewing these on the website. Beyond this, we expect the Group's disclosure to truly focus on outcomes. The achievement of life expectancy improvement goal is the one we will all be watching, so a robust methodology and presentation of the Group's performance progression here will be critical.

## Global Review

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### Perspective from Europe

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#### Introduction

The Ajinomoto Group's sustainability communication, through the consistent inclusion of sustainability/ESG related information in their Integrated Report, the comprehensive disclosure of their strategy and performance in the Sustainability Data Book, and their sustainability related web pages, demonstrates both the strategic importance of environmental and social issues to the company and the increasing maturity of their management approach.



**Joss Tantram**  
Partner, Terrafiniti

#### Progressing and evolving Shared Value

The Ajinomoto Group's sustainability-related reporting and disclosure in 2020 demonstrates strong steps in the development of the company's shared value approach through the development of a new vision for the company. This vision places the company's impacts upon, and contribution to, pressing issues relating to global health and wellbeing, climate change and the UN Sustainable Development Goals (SDGs) at the heart of strategy.

Within this strategic context there is a welcome emphasis on how the company measures its success and seeks to move from short-term goals for business improvement to an approach which focusses on the medium-term and integrates the core delivery of social and environmental outcomes as a critical aspect of how the company will measure progress and value.

This refocussing is to be welcomed, as is the continued recognition by the company that there are opportunities, through innovation and technology, for the private sector to take a real and growing role in tackling global challenges such as adequate nutrition, responding to global crises such as COVID-19 and climate change.

It is also to be welcomed that these global issues are centred in the company's two headline strategic goals to "Help extend the healthy life expectancy of 1 billion people" and "Reduce our environmental impact by 50%" by 2030.

#### Taking a strategic approach to materiality

There are also welcome developments in the approach that the company takes in identifying, in a global context, the material issues that are critical both to the company's context and sustainability, and for achieving its strategic goals. This is reflected in the Ajinomoto Group's presentation of its "materiality items" on the website in the context of significant global trends, and the relevant SDGs which relate to each item.

This focus on material issues is reflected in the structure of the Sustainability Data Book 2020, where sustainability topics of relevance are organised consistently by materiality item, with associated relevant opportunities, risks and key initiatives of the Ajinomoto Group.

#### Welcome developments

The Ajinomoto Group's disclosure in 2020 also highlights some welcome developments, such as the company's preparation to disclose information related to carbon risks through the TCFD guidelines and the use of TCFD scenarios to identify the dimensions of risk that the company is exposed to in a globally warmed future. Forthcoming TCFD disclosures will be of great interest.

The company has also sought and received approval of their decarbonisation ambitions by the Science Based Targets (SBT) initiative, showing alignment with the Paris Agreement goal of limiting the impact of global carbon emissions to a 1.5°C rise.

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### Perspective from Europe

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#### Opportunities for further focus and development

Within the context of the very positive evolution of the Ajinomoto Group's strategic approach to sustainability and consistent performance improvement, there remain some significant opportunities to clarify and set a trajectory for further improvement.

These relate significantly to the company's use of animal products as raw materials and ingredients. While animal welfare is noted as a material issue, improvements could be made in clarifying the welfare standards that the company uses and its approach to ensuring that these standards are met throughout the supply chain.

Similarly, the company has undertaken an analysis of human rights issues in shrimp farms and processing in Thailand. However, there is not currently a clear picture of the company's standards for, and management of, possible social and labour challenges in an area which has received significant consumer and NGO focus over recent years.

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#### Conclusion

The Ajinomoto Group's 2020 disclosures show significant progress in important areas such as an acceleration in the use of sustainable palm oil, together with engagement in and the use of internationally recognised approaches such as the TCFD and SBT initiatives.

This year's reporting also shows the company is taking a more structured and strategic approach to sustainability, both in its approach to communication, and to the integration of sustainability for core corporate targets.

A strategic shift towards tackling global problems such as adequate nutrition, reducing global emissions through innovation and an overall move towards managing for the longer-term, show that the Group is orientating itself to play a positive role in the sustainability challenges of the future.

Combining that strategic ambition with clear performance improvement against global goals and developing the means to manage challenging issues through clear standards and supply chain management will demonstrate the company's progress over time.

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#### About this statement

This statement provides an external perspective on the Ajinomoto Group's Integrated Report 2020, Sustainability Data Book 2020 and Sustainability web pages. It was commissioned by Ajinomoto Co., Inc. from Joss Tantram of Terrafiniti and constitutes a third-party opinion. It is not intended to represent a statement of assurance or verification of any kind, but is an opinion derived from a review and assessment of the reports and information noted above.

### Perspective from the Americas

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#### Overall assessment of reporting approach

Based on their extremely comprehensive, integrated reporting, the Ajinomoto Group is clearly committed to sustainable value creation and long-term strategy. Each year, their method for articulating their programs, plans, and vision changes somewhat as they adopt the newest frameworks and guidelines. While commendable, the constant change of presentation does make it difficult for readers to follow along.

Clearly, there is a concerted effort to link the various reports together, the results of which are improving over time. The best example of this is the 'GRI Standards Content Index' which elegantly links to the relevant sections of related reports and documents. The 'SASB Reference Table,' a new addition for this year, takes a similar approach, but also includes information that does not appear elsewhere.

I found the Integrated Report quite dense and more difficult to navigate than in previous years. It was also longer in terms of page count. Although many links were added to the report for users to quickly access further information (e.g. Sustainability Data Book 2020, Securities Report, Group Policies, etc.), I did not notice the links at first, possibly due to the small, red font that was used. The formatting of these links could be improved to draw more attention to the additional information presented. Further, the map of 'Key communication materials' was moved to the last page of the report this year, which I thought was a shame. In my opinion, it would be better placed up front to help orient readers. Interestingly, the imagery on the website and in the Integrated Report reflects the Group's ambition to further expand business throughout the Americas and Europe.

Much work seems to have been done to improve the usability of the Group's website in terms of making the sustainability information more organized (detailed comments below). Finally, building on last year's work, the Sustainability Data Book 2020 has also become an easy-to-navigate document organized around the material topics, with links and references to supporting documentation in the margins and within the text (detailed comments below).



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#### Sustainability Databook 2020 content and presentation

While the level of detail in the Sustainability Data Book has always been impressive, this document has matured nicely in the reporting year. The Sustainability Data Book 2020 is very well organized and user-friendly. It starts with a concise and relevant preamble outlining the Ajinomoto Group's approach to Sustainable Value Creation, stakeholder engagement and material topics selection that includes helpful charts, illustrations and narrative. I really like how the left-hand margin of the Data Book is used to present links to supporting documents and reference the GRI Standards used. Now that the Group is using the SASB disclosures, these notations should be added in the margin too.

The bulk of the content of the Sustainability Data Book 2020 pertains to ten of the eleven material topics listed on the website. The topic 'Preparation for intense global competition' is covered in the Integrated Report 2020 only, and a link to the Integrated Report is presented in the Sustainability Data Book 2020 Table of Contents. In this year's Data Book, the four organizing categories 'Health and Well-being,' 'Food Resources,' 'Global Sustainability,' and 'Business Foundation' were removed. Now each of the topics has its own discussion on management approach. While I welcome the additional detail this provides, I found that the four categories were a helpful construct and missed them as an anchor to organize the information presented. This year, I was glad to see the topics are more closely aligned with the SDGs. In future years, I would like to see closer alignment with the SDG indicators, not only the 17 top-level goals. However, this might be challenging since the SDG indicators were not designed for corporate use, but rather for a macro-level, global approach.

Both the approach and performance are discussed for each materiality item and for the individual programs within each of the materiality items. Additionally, the charts listing risks and opportunities for each materiality item evidence progress towards reporting in line with the TCFD recommendations. While some materiality items such as combatting climate change have clear, quantitative KPIs, other performance metrics are quite vague and qualitative. I am sure the Group is working to address this imbalance by creating suitable KPIs where needed, and I look forward to seeing how they solve this challenging puzzle.

I was somewhat surprised that the Sustainability Data Book 2020 was light on the discussion of the 2030 vision which was covered in great detail in the Integrated Report 2020. It would be interesting to more clearly see how all of the initiatives and programs roll into performance against the two key outcomes laid out in the 2030 vision – to 1) help extend the healthy life expectancy of one billion people and 2) reduce environmental impact by 50%.

### Integrated Report content and presentation

This year, the Integrated Report is focused on communicating the transformation of the business and corporate culture around food technology and health, with an eye towards 2030. I was pleased to see a deep commitment to employee engagement around these issues at all levels, as well as alignment with the SDGs and discussion relating to the COVID-19 pandemic.

Following the somewhat lengthy preamble (sections: 'Introduction' 'Our Commitment' and 'Our Determination') the sections on 'Our Vision' and 'Management Plan' do an excellent job of elaborating on the specifics. The 'Management Plan' section clearly lays out a two-phased strategy for structural reform and regrowth, providing detail on a business segment level. In particular, the chart outlining the 'Ajinomoto Group outcomes' is illustrative. I also like how the KPIs are grouped by two central outcomes – Health and Environment. As the Group continues to refine their reporting metrics, they should consider harmonizing existing disclosures with the World Economic Forum recommended metrics and disclosures for Consistent Reporting of Sustainable Value Creation.

Using the concept of DALYs to express achievement of extending healthy life expectancies is sensible and I look forward to seeing this thinking develop. Further, the discussion on 'Approach to Nutrition' including priorities and common evaluation standard for nutritional value lay the groundwork for a cohesive strategy.

Environmental actions, goals and targets are very comprehensive, and I was pleased to see how the targets harmonize the SDGs and 2030 timeframe. In particular, I applaud the Group's new SBT to the 1.5 degree Celsius pathway and the announcement to join the RE100. The roadmaps for reducing greenhouse gas emissions, plastic waste, and food loss and waste are pragmatic. Through scenario analysis transition risks associated with higher energy prices and an increase in carbon taxes were identified. This report also acknowledges that climate change may have an impact on the Group's ability to procure raw materials in the future, and notes that a water risk analysis is being conducted. The Group is clearly on the path to understanding climate-related risk factors, but more work remains to thoroughly assess the full extent of the risks. In future reports, I expect to see more details on this in line with the recommendations of the TCFD. I'd also like to see how climate-related risks and opportunities figure into the Group's overall risk management framework as explained in the Governance section of this report.

Performance data is again conveniently located at the end of the report, presented in terms of 'Economic Value' and 'Social Value' indicators. Both KPIs for the 2017-2019 MTP and the 2020-2025 MTP are presented. While the 'renewable energy use ratio' and 'ratio of factories installing resource-saving fermentation technologies' targets were met, performance towards other targets is flat or negative. Moreover, it appears that some of the 2018 data points were restated since last year's report.

Some of the old KPIs appear to have dropped off, while others such as 'Reduce Food Loss and Waste' are now normalized rather than absolute. The stated targets for the 2020-2025 MTP are economic and environmental and it is fairly clear how the environmental targets relate to the overarching outcome to reduce environmental impact by 50%. However, I was disappointed to see that the targets relating to extending healthy life expectancy for 1 billion people are still under development and not presented in this year's report. In next year's report, it will be critical to illustrate which KPIs will be tracked to guide the achievement of this exciting outcome! I look forward to following the Group's progress.

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### Finally

It is noted that on employee stakeholder forums, namely Glassdoor, there are many complaints from those who work in the Ajinomoto Group's production and manufacturing lines. It is expected that COVID-19 pandemic will place increasing scrutiny on how companies ensure the health and safety of all their employees. Reporting to the mentioned SASB categories of Biotechnology & Pharmaceuticals and Semiconductors, and their attendant disclosures on Employee Engagement, Diversity & Inclusion and Employee Health & Safety, would begin to address this issue by providing a baseline against which to improve. As a large manufacturer, the Group may also consider participation in the Responsible Business Alliance (RBA), whose Code of Conduct can provide a blueprint for enhancing governance of employee social issues such as Occupational Safety, Industrial Hygiene, Humane Treatment and more.

### Perspective from Asia

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#### Disclosure on sustainability in general

I am sensing a company that has moved beyond the numbers-crunching graphs of progress to an acceptance of the primacy of purpose as inducement and increasing specificity of mission as motivator. The sage said, “aim at the moon and even if you miss, you’ll hit a star.” For business today, it is “aim at an inspiring purpose and even if you miss, you’ll create value.”

The comprehensive opening letter from CEO Takaaki Nishii hints at a refinement of the Ajinomoto Group’s business definition. This year, the vision statement had been reconstituted to calls for “greater wellness for people worldwide” representing a sharpened emphasis on the impact of the Group’s activities on people rather than on the means by which their lives are touched... on *outcomes* rather than *outputs*.

Moreover, the CEO’s overview is a narrative, anecdotal and this year charts and tables are generally lean and grouped unobtrusively at the end of the Report. The resulting comprehensive and jargon-free word picture may be as close to a pleasurable read as you will find in a formal business setting. It is also one of the most informative, serving as an unofficial precis of the entire Report.

Little escapes the attention of the Ajinomoto Group reporting team. I did not find a single major sustainability issue that went unaddressed, from material issues to maternity leave or from climate change to corporate culture. When challenges were more appropriately tracked over time, they showed positive, if not restorative, trends.

Speaking of culture, I am a subscriber to the *culture-eats-strategy-for-breakfast* meme and so am drawn to the 2020 reporting’s repeated return to the important topic of corporate culture.

There are other clues in the vocabulary selection that are emblematic of this year’s humanized message: The topic of “solutions,” now integral to the Group’s vision and emphasized repeatedly, had been mentioned only in passing over previous years. And this year, “organic growth” is a recurring theme. In 2019, it was hardly mentioned. Overall, there is a four-fold increase in references to *vision*, *culture*, *return on invested capital (ROIC)*, and even engagement. Importantly, this year’s report speaks to transformation more than twice as often as last year’s. Of course, context is everything. But seeing these themes recur consistently and accessibly is a healthy step in the right direction.



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#### Usability

I reviewed the online and soft versions of the reports and am pleased to note that both the web and Acrobat® formatting were well laid out and readable on the PC without having to scroll repeatedly up and down the screen.

Beyond the physical appearance, the presentation’s content seems to flow more smoothly reader-focused than in years past, with important but almost unnoticed topical transitions. One new section in particular stands out. It presents the Ajinomoto Group’s five areas of transformation (including the vision, mentioned above) and with minimum fanfare, establishes a frame of reference for the mood difference from last year’s report.

Finally, the report organization. Like the layout and the subject development, this is not a radical change but more of an organic improvement that contributes to an overall reading experience that many will find rewarding whether or not they are interested in the contribution of amino acids to humanity’s well-being.