Sustainable materials sourcing

The Ajinomoto Group uses the bounty of nature to offer products and services to our customers. This bounty includes products from agricultural, livestock, fisheries, and other sources located around the world. We recognize that our business activities affect the global environment and vice-versa. Sustainable procurement of agricultural, livestock, and fisheries resources, therefore, is an extremely important issue for our businesses. We must also consider other social issues in our supply chain, including the environment, human rights, and occupational safety. We are committed to working closely with our suppliers in initiatives throughout our entire supply chain.

Specific examples

- Biodiversity impacts
- Deforestation control
- Elimination of child and forced labor
- Supply chain management
- Sustainable land use
- Animal welfare
- Animal and plant nutrition

Related opportunities and risks (○ Opportunity ● Risk)

- ● Failure to procure raw materials, product returns due to quality issues in the supply chain
- ● Failure to procure raw materials and damage to corporate value due to delays in addressing social and environmental issues in the supply chain
- ● Failure to procure raw materials due to food resource depletion

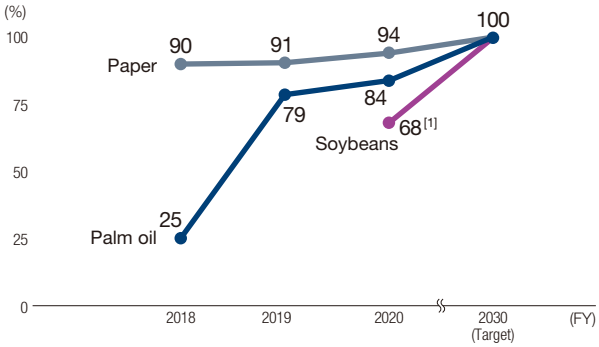
Key initiatives by the Ajinomoto Group

- Promoting awareness and understanding of procurement policies and guidelines among suppliers
- Establishing a CSR audit system for suppliers and contract manufacturers
- Management of fair operating practices (traceability, etc.)
- Establishing a PDCA cycle related to human rights due diligence
- Identifying important raw materials and engaging in responsible procurement (paper, palm oil, skipjack, etc.)
- Ensuring fair competition and providing thorough employee training
- Contributing to sustainable agriculture by using co-products

Related SDGs

Sustainable procurement ratio

- Paper, palm oil, soybeans
- FY2030 target of coffee beans and beef: 100%



[1] Procured for businesses in Japan

Sustainable Materials Sourcing

Initiatives related to key 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
> CDP Forests

Identification of key raw materials

The Ajinomoto Group identifies key raw materials that are derived from agriculture, forestry, and fishery sources requiring more focused action. The identification process involves determining all the raw materials used in business operations, which are then analyzed by internal divisions and external experts including NGOs. We base our assessment on an overall perspective that includes several factors such as dependency on the materials used, availability of alternative materials, and relevance to global environmental sustainability. We conduct an annual review of key raw materials to incorporate changes in business, global environment, and other factors.

Recognizing that deforestation has a substantial impact on climate change, biodiversity, and human rights issues, we seek to procure certified raw materials, ensuring partnerships with various initiatives and establishing our own traceability systems, as well as implement audits based on the Ajinomoto Group Palm Oil Procurement Guidelines and Paper Procurement Guidelines. The Group added beef and soybeans to our list of key raw materials in fiscal 2019. These raw materials have been listed as causes of deforestation by the CDP and the Consumer Goods Forum (CGF), an international industry group for consumer goods. We plan to conduct the same type of surveys for these key materials as we do for palm oil and paper.

Ajinomoto Group key raw materials

Key raw materials		Major countries and regions of procurement
Agriculture and forestry resources	Palm oil, an ingredient in packaged food products and specialty chemicals	Indonesia, the Philippines, Vietnam, Malaysia, Thailand, West Africa, Colombia, Brazil, Peru, Papua New Guinea
	Paper, used as office paper and in containers and packaging for packaged food products	China, Indonesia, Cambodia, the Philippines, Vietnam, Malaysia, Thailand, Bangladesh, EU, Turkey, West Africa, the United States, Canada, Mexico, Argentina, Uruguay, Colombia, Paraguay, Brazil, Peru, Bolivia, Australia, New Zealand, Papua New Guinea
	Sugar crops, used in fermentation process of amino acids	Each country where our factories are located
	Coffee beans	Indonesia, Vietnam, West Africa, Mexico, Colombia, Brazil, Papua New Guinea
	Beef, an ingredient in frozen foods, etc.	Japan, China, Thailand, India, EU, Turkey, the United States, Canada, Mexico, Argentina, Uruguay, Brazil, Australia, New Zealand
	Soybeans, an ingredient in packaged food products, etc.	Japan, China, South Korea, Indonesia, Cambodia, Thailand, India, EU, Turkey, the United States, Canada, Mexico, Argentina, Brazil, Australia, New Zealand
Fishery resources	Skipjack, an ingredient in *HON-DASHI*® and in bonito flakes	Japan
	Shrimp, an ingredient in frozen foods, etc.	Thailand

Sustainable Materials Sourcing

Performance

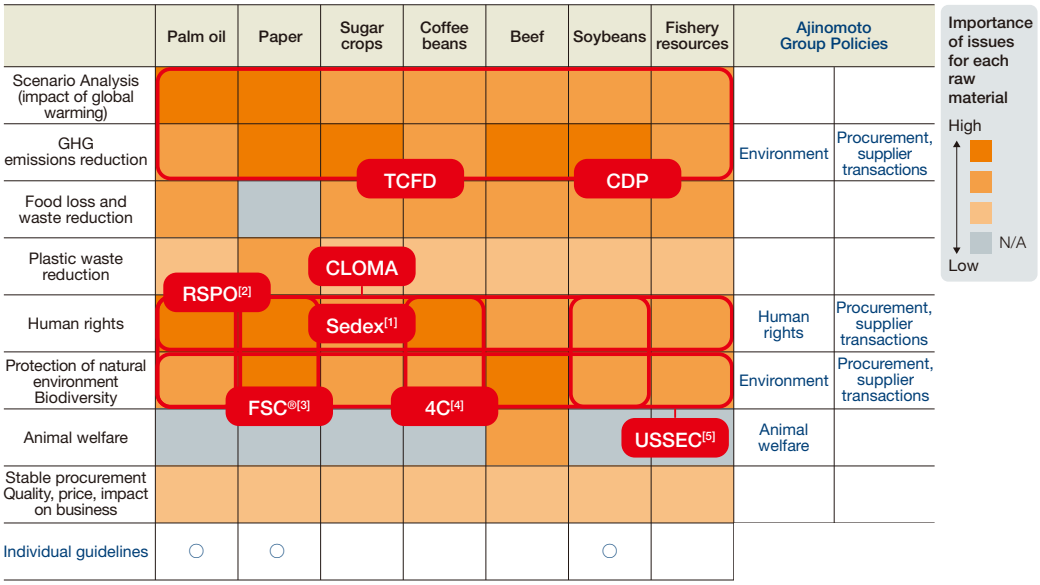
GRI102-12

> Participation in Initiatives

Initiatives related to raw materials

In order to procure raw materials sustainably, it is necessary to reduce risks from various perspectives such as climate change, human rights, and biodiversity. To that end, the Ajinomoto Group collaborates with external organizations such as international initiatives and certification organizations. In addition, we are striving to clarify the status of procurement of the identified key raw materials and to prioritize the procurement of certified materials. Going forward, we will promote procurement of certified materials as well as establishment of traceability.

Initiatives related to raw materials



[1] Supplier Ethical Data Exchange. A global membership organization that provides data on labor standards, business ethics, etc. within the global supply chains.
[2] Roundtable on Sustainable Palm Oil. An international organization of multiple stakeholders developing and operating a certification scheme for sustainable palm oil.
[3] Forest Stewardship Council®.
[4] Common Code for the Coffee Community. An independent, stakeholder-driven, internationally recognized sustainability standard for the entire coffee sector, aiming at anchoring sustainability in coffee supply chains.
[5] U.S. Soybeans Export Council.

Performance

Sustainable procurement of palm oil

The Ajinomoto Group uses palm oil in a variety of products and applications, from packaged food products such as cup soup, instant noodle and coffee creamer, to specialty chemicals made in Japan, Southeast Asia, Europe, and South America. Certain products use palm kernel oil, which is harder to procure in certified form. Further, certain regions have limited supplies of certified palm oil. Therefore, the Group defines palm oil certified by RSPO or traceable by the Group to sustainable sources as a sustainable material. In regions where it is difficult to procure RSPO-certified oil, we make every effort to procure palm oil that is confirmed as traceable. In so doing, we ascertain whether production takes place in regions where environmental destruction is a concern. In addition, we can respond quickly if human rights violations or other problems occur.

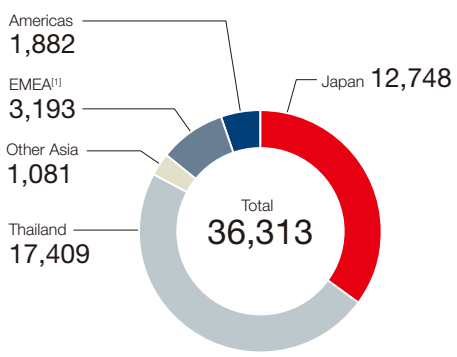
We had set a fiscal 2020 target of 100% sustainable procurement of palm oil, however we achieved a figure of 84% for this period due to difficulty in procurement of certified oil for some areas/products. The rate of RSPO-certified palm oil procurement was 28%. We aim to achieve 100% sustainable procurement by fiscal 2030. As of fiscal 2021, we plan to start implementing measures for palm oil without certification/traceability, and further expand initiatives toward achieving this goal.

Sustainable Materials Sourcing

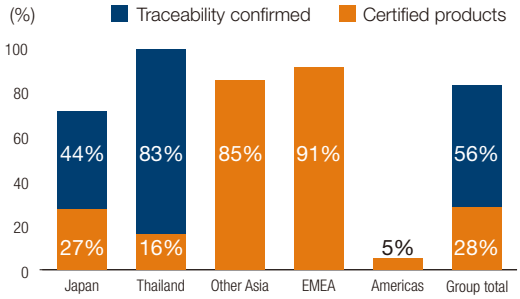
Performance

GRI301-2
GRI301-3

Fiscal 2020 palm oil procurement (tons)



Fiscal 2020 sustainable palm oil procurement ratio



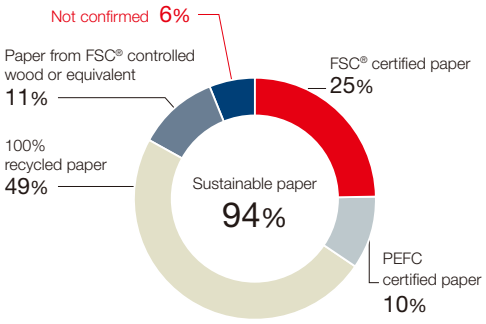
[1] Europe, the Middle East and Africa

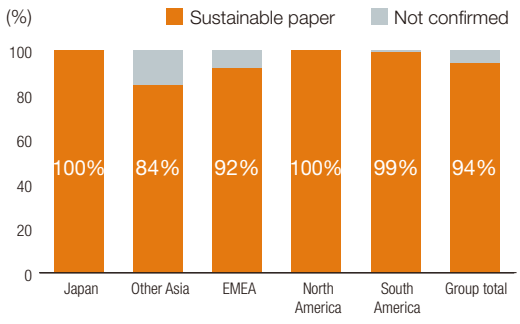
Sustainable procurement of paper

The Ajinomoto Group has established Paper Procurement Guidelines which stipulate criteria that must be met by the paper we procure. These guidelines define sustainable paper as paper that is not derived from deforestation in areas of high conservation value and paper that is procured from suppliers who use proper production procedures in accordance with local laws and regulations, as well as in line with international human rights standards. Sustainable paper includes paper certified by FSC®, as well as recycled paper and paper made from FSC® Controlled Wood.

We had set a fiscal 2020 target of 100% sustainable procurement of paper, however we achieved a figure of 94% sustainable paper usage for use in packaging for this period because certified/recycled paper are not widely used in some areas. We aim to achieve 100% sustainable procurement by fiscal 2030.

FY2020 Sustainable paper procurement ratio





Sustainable procurement of beef

The Ajinomoto Group aims to procure 100% sustainable beef by fiscal 2030. We are currently considering specific initiatives such as ensuring traceability. In fiscal 2020, we started risk assessments.

Sustainable procurement of soybeans

The Ajinomoto Group aims to procure 100% sustainable soybeans by fiscal 2030. We are currently considering specific initiatives such as ensuring traceability. In fiscal 2020, we started risk assessments, and our fiscal 2020 use of soybeans and soy oil in Japan that are in line with the United States Soybean Sustainable Assurance Protocol was 68%.

Sustainable Materials Sourcing

Performance

> WCPFC

Sustainable procurement of fishery resources

The Ajinomoto Group uses skipjack as an ingredient in *HON-DASHI*®, our popular flavor seasoning product in Japan. We are committed to conserving resources and sustainable procurement. Therefore, we have conducted the joint skipjack tagging survey with the National Research Institute of Far Seas Fisheries (NRIFSF) in Japan since 2009. The results of this survey have shown that skipjack catches in the waters near Japan have fallen. However, skipjack levels near the equator appear to be stable. It is these equatorial skipjack that we use for the bonito flakes that serve as the raw material for *HON-DASHI*®. A paper published in 2019 that summarized the data and results of past tagging surveys is included in the National Tuna Fisheries Report of Japan to the Western and Central Pacific Fisheries Commission (WCPFC) in 2020.

With regard to the sustainable procurement of shrimp, in fiscal 2018, we conducted human rights surveys at shrimp farms and processing plants in Thailand where we procure shrimp for use as an ingredient in frozen foods. We aim to achieve sustainable procurement of shrimp by building a supply chain management system that includes measures such as a complaint response mechanism.

Approach

> P106

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 endeavored to procure coffee beans produced at farms that adhere to standards set by the 4C certification system. This system aims to improve environmental conditions at coffee farms and better the lives of farm workers, while encouraging sustainable production and distribution. In fiscal 2020, 49% of all the coffee beans procured by Ajinomoto AGF, Inc. were from farms that adhere to the 4C standards. Starting with the first 4C certification logo in Asia on the packaging for stick coffee released in August 2020, a total of 43 products, including campaign products, were launched during that year, promoting ethical consumption related to the sustainable procurement of coffee beans. The Group has been continuing with tests in different coffee-producing regions with the goal of using high value-added fertilizers made from by-products (co-products) of fermentation processing of amino acids. Our hope is that, eventually, this coffee will be part of a Group circular economy. In particular in Indonesia, Brazil, and Vietnam, we are expanding support to farms with *AJIFOL*® co-product fertilizer, and have started putting together a system for improving product value and communicating value to consumers.

■ Indonesia

We have provided support to farmers producing Robusta coffee beans in the form of high value-added fertilizer in the Pagar Alam area of Sumatra. We also started providing this support in the Surabaya area of Java, and the Sidikalang area of Sumatra beginning in fiscal 2020.

■ Vietnam

In addition to the test we have been conducting using our high value-added fertilizer, in fiscal 2019, we installed irrigation facilities in the Krong Nang district of Vietnam and expanded the areas.

■ Brazil

In fiscal 2020, as well as supporting farms by providing high value-added fertilizer we also worked to bring to market coffee beans from supported farms including BAU farms and the Kopelkam Agricultural Cooperative.

Supply chain management

Framework

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

> P9

Performance

GRI204-DMA
GRI407-DMA
GRI414-1

> Group Shared Policy for Suppliers
> P12
> P51
> P105

> P119

Ajinomoto Co., Inc. creates procurement policies for the Group. Group companies create and implement plans and strategies based on these policies. We hold an Ajinomoto Group Global Procurement Conference to share procurement policies and best practices within the Group. We also use tools that allow persons within the Group to access necessary information, providing timely communications on pertinent topics.

Supply chain initiatives

The Ajinomoto Group states our expectations to suppliers related to sustainability in the Group Shared Policy for Suppliers, and asks our suppliers for their understanding and cooperation to ensure social and environmental sustainability in the supply chain. In fiscal 2018, the Group joined Sedex.

In fiscal 2020, we voiced our support for the Tokyo Declaration 2020 on Responsible Acceptance of Foreign Workers formulated by the Global Alliance for Sustainable Supply Chain (ASSC) regarding the recruitment of foreign workers with intern training program or special skills visa status, and we have requested that our suppliers create an environment in which foreign workers can be active in their work. Using Sedex as a base, we aim to set up a supply chain management system with common standards within the Ajinomoto Group by fiscal 2025.

Supplier hotlines

The Ajinomoto Group established a supplier hotline in fiscal 2018. The hotline complements the hotline available to Group executives and employees. Reporting from suppliers facilitates the early detection and correction of Ajinomoto Group executive and employee behaviors that are potentially in violation of the law or the Ajinomoto Group Policies (AGP).

In fiscal 2020, we introduced a *Workers' Voice* system for monitoring the opinions of migrant workers at three Group companies in Japan. This will use multilingual support provided by NPOs to receive reports of day-to-day problems, and can be used as a hotline for labor and human rights-related consultations that can be sent to the Group. Moving forward, we intend to expand this system to cover the whole supply chain and utilize it in the early detection of issues with labor and human rights.

Sustainable Materials Sourcing

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

> Group Shared Policy on Human Rights
> Thailand Supply Chain Human Rights Due Diligence Report

Human rights due diligence

Based upon the Group Shared Policy on Human Rights, the Ajinomoto Group conducted human rights impact assessments throughout the entire business in 2014 and 2018, and are carrying out due diligence starting in industries and regions with comparatively high risks. Furthermore, we are keeping a keen eye on global trends including the 2021 enactment of the EU's Environmental and Human Rights Due Diligence Legislation, and will take measures as necessary.

In fiscal 2020, we participated in an advisory capacity in putting together the Japan Platform for Migrant Workers toward Responsible and Inclusive Society (JP-MIRAI) created by the Japan International Cooperation Agency (JICA) together with other stakeholders including companies, lawyers, and NGOs. This aims to resolve issues faced by foreign workers undergoing technical training and those with special skills. Using this platform, we will strengthen involvement with suppliers and their supervisory and dispatch organizations, with the aim of reducing human rights risks. We also conducted a desktop preliminary human rights impact assessment with respect to supply chains for sugarcane and coffee beans sourced in Brazil. The on-site survey has been postponed due to spread of COVID-19, and will be conducted remotely in fiscal 2021.

Sustainable Materials Sourcing

Animal welfare

Approach

GRI204-DMA
GRI301-DMA

> Group Shared Policy on Animal Welfare
> Commitment to Minimizing Animal Testing

Creating policies and holding dialogues with society

The Ajinomoto Group deals with animals throughout our businesses and product development. Animal-derived ingredients such as meat, eggs, and extracts are essential for the food products we produce. In the Group Shared Policy on Better Mutual Relationships with Animals established in 2018, the Group defines our approach to procurement in keeping with the concept of animal welfare, and shares this policy with all primary suppliers in Japan when we start working with them. Additionally, so that we can keep informed of domestic and international trends surrounding animal welfare and respond flexibly to social trends and demands, we have set up a roundtable comprising experts in these fields, and have been holding dialogues since February 2020. We have also established a working group of Ajinomoto Group personnel directly involved in the livestock industry, and are exchanging opinions with stakeholders on how we should have better mutual relations with animals.

Through this process, the Group policy above was renamed in 2021 as the “Group Shared Policy on Animal Welfare.” This was updated with more specific content, and shared with all primary suppliers within Japan. Based upon this revised Group policy, looking forward we will aim to build a better symbiotic relationship with all animals in our supply chain.

Performance

Roundtables on better animal welfare

The Ajinomoto Group has been promoting dialogue with stakeholders since February 2020, having established a roundtable comprising external experts. Under this roundtable, in October 2020 we established a working group comprising personnel directly involved in the livestock industry to discuss with stakeholders how we should incorporate perspectives of animal welfare into our business operations, and to collaborate with the roundtable. A total of eight roundtables and five working groups were held, with the project ending in March 2021. An overview of this is as follows.

External members (in alphabetical order):

Junko Edahiro (Professor, Graduate School of Leadership and Innovation, Shizenkan University)
Arisa Kishigami (ESG & Sustainability Specialist)
Shigeru Kyuwa (Professor, The University of Tokyo)
Kenichi Takeda (Associate Professor, Shinshu University)

- First roundtable (February 5, 2020):
  The session began with an overview of the Group and explanations of how our business relates with animals, as well as our approach and initiatives in this area to date. Meeting then shifted to an exchange of views on the key themes to be addressed.
- Second roundtable (April 8, 2020):
  A panel of external members presented the latest information related to animal welfare and raised issues in the Group’s relationships with animals from an expert point of view. The experts and our representatives engaged in an open exchange of opinions.
- Third roundtable (May 13, 2020):
  We reported on actions of the procurement department related to animal welfare, as well as on the launch of the Animal Welfare Working Group.
- Fourth roundtable (July 10, 2020):
  We had lectures from external members on “Animal Welfare in Sustainability Issues with a Livestock and Food Industries Focus” and “Laws, Regulations, Guidelines, and Standard Values for Livestock Animal Welfare (Countries, Regions, Breeds, etc.).” Through exchanging opinions, we broadened our understanding of the scope of our initiatives.

Sustainable Materials Sourcing

- Fifth roundtable (September 28, 2020):
  From the survey report on animal welfare, participants learned about the actual situation regarding laws and regulations as well as consumer awareness in each country. They also exchanged opinions regarding details of planned initiatives by the working group to be established.
- Sixth roundtable (January 8, 2021):
  We reported on details of the activities of the working group regarding dialogue, etc. conducted with stakeholders involved in livestock production. Participants exchanged opinions regarding revisions to the Group Shared Policy on Better Mutual Relationships with Animals.
- Seventh, eighth roundtables (February 16, March 2, 2021):
  We confirmed various aspects of the draft revision of the policy above, and included proposals from the working group. Confirmation of the draft amendment incorporating received opinions continued after the date of the roundtable. At the final eighth roundtable, we exchanged opinions regarding future initiatives.

Livestock traceability survey

Performance

GRI204-DMA
GRI301-DMA

The risk assessment of Ajinomoto Co., Inc.'s domestic suppliers of meat and meat extract for fiscal 2020 found a combined traceability to original farming sites of just 10% on a numerical basis for fully traceable and conditionally traceable suppliers. One of the reasons for this result was that livestock breeding management guidelines have not been fully embraced in Japan, with widely varying degrees of awareness among suppliers. We plan to continue our work in spreading awareness of these guidelines as we as to conduct a similar survey at our Group companies.

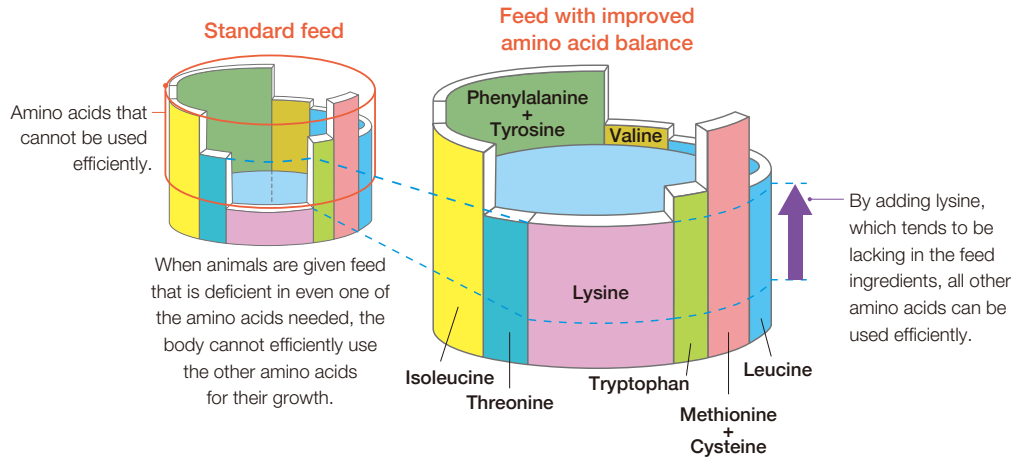
Overseas, the Group tracks the status of legal developments regarding animal welfare in each country and region. We are sharing our policies and issues on the subject with them.

Feed-use amino acids as a solution to animal nutrition issues

> P84

Animal bodies are made up of approximately 20 types of amino acids. Several of these amino acids cannot be synthesized internally in sufficient quantities. These amino acids, called essential amino acids, can be supplemented through animal 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 increases feed efficiency and promotes growth, but also reduces environmental impact by reducing excreted nitrogen.



Sustainable Materials Sourcing

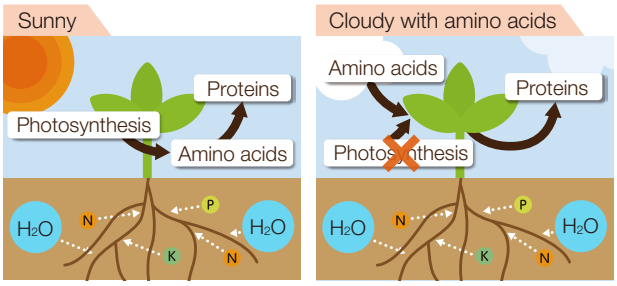
Contribution to sustainable agriculture

High value-added fertilizers made with co-products

Approach

GRI203-2

Plants synthesize amino acids from absorbed nitrogen and sugars gained through photosynthesis, then use amino acids to synthesize proteins necessary for growth. Even under poor photosynthesis conditions caused by cloudy weather or low temperatures, plant growth can be stimulated by supplying amino acids as fertilizer. For more than 40 years, the Ajinomoto Group has effectively utilized the nutrient-rich co-products of amino acid production as organic fertilizer. By fortifying these co-products with suitable amounts of phosphoric acid and potassium, for example, we have developed fertilizers with higher added value. Continued experiments and research have made it clear that these amino acid-enriched fertilizers enhance root development, plant growth, and harvest yields.



High value-added fertilizers used around the world

Performance

GRI203-2

> P80

■ Japan

Ajinomoto Co., Inc. produces high-quality fertilizers, making effective use of co-product biomass generated during the amino acid fermentation process. Cell drying technology using heat from compost significantly reduces the amount of CO_2 emitted during the course of drying co-products. This fertilizer not only reduces environmental impact, but also increases the amino acid content and sugar content of crops, while stabilizing quality. We are expanding sales channels for this superior product and contributing to a revitalization of agriculture.

■ Vietnam

Vietnam is one of the world's leading exporters of rice. The Mekong Delta in the south is a center of rice production, where rice cultivation takes place two or three times a year. Continued use of nonorganic fertilizers in this region has degraded soil fertility, resulting in unstable quality and yields, making farmers difficult to make a living through rice cultivation. In 2007, AJINOMOTO VIETNAM CO., LTD. began conducting research using a co-product called *AMI-AMI* (liquid fertilizer) in small-scale test farms. Today, this co-product business in Vietnam, which maintains soil fertility while keeping farm production costs down, is essential among local communities, leading to sustainable agriculture.

■ China

China is the number one grain producer in the world. However, according to FAO, it has an annual production loss of over 50% due to unsuitable temperature for grain production. The Ajinomoto Group company Agro2Agri, S.L. (Spain), which sells agricultural materials, sells foliar spray *FERTIGRAIN FOLIAR* in China. The product improves tolerance to stress such as high/low temperature and hot wind, and contributes to grain yield improvement.

Sustainable Materials Sourcing

■ Thailand

In Thailand, a major cause of PM2.5 particulates is the burning of sugar cane leaves after harvest in order to prevent unplanned fires from lightning strikes. However, spraying the co-product *AMI-AMI* (liquid fertilizer) on the fields acts not only as a fertilizer, but also promotes the composting of leaves and is helpful in preventing burn-offs.

■ Brazil

AJINOMOTO DO BRASIL INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA. (ABR) mainly sells co-products such as *AJIFOL*® to coffee and fruit plantations in Brazil. More recently, we have seen a movement among plantations toward sustainable management, making a full-scale transition from chemical fertilizers to fertilizers from ABR. In fiscal 2020, we conducted tests on the high value-added fertilizers *Amino Proline* and *Amino Arginine*. Results showed improved productivity of tomatoes and apples when compared to ordinary fertilizers.

GRI203-2

TOPIC

Project supporting the autonomy of Thai farmers

In Thailand, where the Ajinomoto Group has its main production site, 40% of the population is involved in agriculture, but agriculture's contribution to GDP is only 7% to 8%. The low added value and productivity in this field is of concern. Soil degradation because of repeated, and a lack of knowledge about cultivation, unplanned crop changeovers are put forth as causes for this. Given that agricultural produce makes up most of the Group's raw materials, in June 2020 we set up a project to support farmer autonomy to contribute to the sustainability of Thailand's food resources. In this project, we first conducted free soil diagnoses for cassava (tapioca starch) in collaboration with the Land Development Department, Ministry of Agriculture, Thailand and an app company. This visualizes what soil nutrients are lacking, and as of June 2021 these diagnoses have been carried out on 349 farms. Tapioca starch is the main raw material for *AJI-NO-MOTO*®, and approximately 15% of Thailand's total tapioca crop is used by us. We expect that improvements to the soil and to irrigation will dramatically increase crop yields.

In addition, we obtained a transfer of plant growth promoting rhizosphere microorganisms (PGPR) production technology from the Thai Department of Agriculture, and we started to confirm the effectiveness of this prototype PGPR on around 200 cassava farms. These efforts include the development and distribution of mosaic disease-free cassava, technology development of imaging diagnosis of cassava mosaic diseases in cooperation with the Thai Tapioca Development Institute and other organizations, and signing of an agreement with an insurance company and other companies to set up weather index insurance for cassava farmers. We are working from a range of perspectives to connect Thai cassava farmers to the value chain.

Thai agricultural value chain