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The Ajinomoto Group's Integrated Report 2022 and Sustainability Data Book 2022 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

As usual, it was a pleasure to read both Ajinomoto Group ASV Report 2022 and the Sustainability Data Book 2022. I am always impressed by the sheer scope and scale of the Group's activities and the level of detail provided in each annual reporting suite. Each year, I notice a renewed energy and passion to lead a sustainable business that delivers economic growth while adding meaningful social and environmental value. There is a consistency in the Group's story over many years and a clear understanding of the sustainable development contributions the Company aspires to.

This year, we hear from the newly appointed President and CEO, Mr. Taro Fujie, and it is reassuring to read his commitment to building on the important legacy of sustainable business development established by his predecessors. This is further reinforced by the targets that the Group has established and discloses across a range of material sustainability topics, demonstrating a serious and credible approach to enhancing performance. The Group lays out detailed pathways to deliver targets, for example, the ambition to halve food waste across the product lifecycle by 2050 is supported by interim targets and a program of action for each lifecycle stage, as well as disclosure of performance to date. This reinforces the credibility of the Group's reporting. Case studies and examples of new transformational ASV programs also add value.

Beyond so many positive aspects of the Group's strategy, performance and reporting, I see possibilities to further enhance clarity and communication.



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■ Enhancing Clarity

The Group's top line visionary ambitions are bold and outcome-driven:

- By 2030, help extend the healthy life expectancy of 1 billion people.
- By 2030, reduce our environmental impact by 50%, while improving business performance.

Carefully articulated as outcomes of the multiple strands of activities that the Group has committed to undertaking over several years, these visionary targets are underpinned by science and bold plans to accelerate innovation, business model transformation and an agile working culture. The Group inspires confidence in its ability to deliver through its meticulous planning, wide engagement through its value chain and with experts on the Sustainability Advisory Council, and through transparent reporting.

This being said, I'd like to see further clarity in the Group's approach. I do not doubt there is a correlation between consuming food products that enable "delicious salt reduction", nutrition education and life expectancy. However, I believe credibility would be enhanced by real-world-evidence relating to the effects of consuming the Group's products on life expectancy, and the extent of the eating habit changes made by consumers who received nutritional education. Extending the healthy life expectancy must be backed with data and research if it is to be more than just a visionary ambition. I have advocated for some time for the Group to invest in research to examine the actual effects over time on real people who have been empowered to change through the Group's products and programs. Perhaps some lessons are to be learned from the biopharma industry, in which the Group has extended its presence, where the use of clinical trials serves to deliver confidence that outcomes can be achieved.

Another opportunity for clarity relates to the environmental impact target. Does this cover greenhouse gas (GHG) emissions only (which is supported by the Group's science based target to reduce Scope 1 and 2 emissions by 50% by 2030)? What about the Scope 3 emissions that the Group indirectly generates at the rate of almost seven times higher than the total of Scope 1 & 2? (The Scope 3 target reduction is 24% per ton of production by 2030.) And what about other environmental impacts – water, waste, biodiversity etc.? I think that clarifying the language of this ambition would

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better enable stakeholders to evaluate progress.

Enhancing Communication

The topic of sustainability, or Environmental, Social and Governance (ESG) disclosure is in a highly dynamic phase at present. With new concepts, frameworks, standards and regulatory advances moving at a pace, the disclosure landscape is evolving rapidly. The investor influence on ESG disclosure is more significant than ever before, while the regulatory pressures to drive such disclosure on an equal footing with financial reporting are also being promoted with unprecedented intensity. With new ESG disclosure standards developed by the International Sustainability Standards Board (ISSB), by the European Commission and by the U.S. Securities and Exchange Commission (SEC), as well as updates to the Global Reporting Initiative (GRI) standards applicable from 2023, companies are grappling with the way forward for sustainability disclosure. Similarly, the concepts of financial and impact materiality (and double materiality) have taken root and will require greater precision in the determination of ESG material topics to inform both strategy and reporting. To better equip the Group to navigate these demands and meet stakeholder needs, I believe it is time for the Group to rethink the structure of its disclosures. The materiality assessment should reflect impacts on the economy, people and the environment (impact materiality, as defined by GRI) as well as the impact on the Group's ability to create value, as is currently defined. There is quite some duplication between the ASV Report and the Sustainability Data Book (SDB), and the collection of policy positions in the Ajinomoto Group Policies (AGP) book, while at the same time, different dimensions of certain disclosures are fragmented across these platforms. I believe it would be worth considering a move to two primary publications: an ASV Report that includes performance information and case studies on all disclosure topics, and an AGP that is expanded to include all the policy and approach content that is currently included in ASV or SDB or both, thereby removing duplication. Policy content is unlikely to significantly change each year, and it currently clutters the reporting of current year performance. Such a restructure would need to be skilfully crafted in order to present all the content in a clear, logical and legible way. If needed, a short executive summary could supplement these documents. Restructuring the Group's sustainability reporting suite would, I feel, enable stakeholders to more easily locate relevant information and appreciate the extent of the Group's strong performance and positive impact. It would also reduce the annual reporting burden for the Group.

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For almost 25 years I have been working in the area of sustainability and impact management. Our company, Steward Redqueen, has the privilege of working with many corporations, financial institutions and non-profit organisations around the world.

Based on my experience, I think there is reason enough to laud the Ajinomoto Group for its efforts on the sustainability front. Its commitment to science-based emission reduction targets for Scope 1, 2 and 3 by 2030 shows a clear devotion to sustainability. The Group emphasizes the interdependence between human and planetary health, and food systems and climate conditions, substantiating the Group's recognition of sustainability as a value creator. This claim is further corroborated by a myriad of initiatives, measures and KPIs that underpin its sustainability strategy.

That being said, the quality of the Group's sustainability strategy and reporting can be improved even further by creating a more consistent narrative and structure. The reporting is so extensive that it is not always easily digestible. This makes it less easy than possible for stakeholders to capture the essence and allowing them to grasp where the company stands on sustainability issues that matter to them. As CEO Mr. Taro Fujie rightfully asserts: "You have communicated your message only when understood".

The Integrated Report reinforces the idea that sustainability and financials are interdependent. Nonetheless, the different sections of the report still function too much as stand-alone parts, where new concepts and strategy elements are introduced. The symbiotic relationship between sustainability and financial viability could be captured in one overarching framework, of which the Group's tagline 'Eat Well, Live Well' could serve as a vocal point. In particular, efforts can be made on integrating sustainability components into the financial statements and feeding the Current Growth Strategy into the Medium- to Long-term Growth Strategy. For example, why are there no priority KPIs in the medium-term management plan that reflect a focus on sustainability? And how are the materiality items related to the four innovation areas? At times, this leaves readers to question how the different elements of the Group's strategy are connected to each other.

In a similar vein, the structure of the Group's Data Book can be enhanced. Undoubtedly, the Group provides its readers with a wealth of sustainability data points and information. The Group is highly transparent on its reporting, with third parties externally verifying data. However, the overall state of play is at times difficult to fathom, given inconsistencies in terms of reporting per materiality item. For instance, certain materiality items, such as Strong Corporate Governance, do not disclose KPI and progress. Moreover, the Data Book would benefit from an executive summary outlining general progress on the materiality items by way of a simple traffic light system. In addition, each materiality item should follow the same structure, as the quantitative and qualitative elements are currently overlapping significantly. The factsheet with risks and opportunities, key initiatives and related SDGs per materiality item serves as a great starting point for this.

With its firm sustainability framework, The Group has undertaken crucial steps in the area of stakeholder engagement. The central role of the Sustainability Advisory Council (SAC) and Sustainability Committee (SC) strongly signals that the company values the opinions and concerns of its stakeholders and acknowledges the need for cooperation to solve key sustainability issues. However, the Group could be more transparent about the outcomes of talks within both bodies. What were the recommendations of the SAC and SC and (how) were these translated into concrete policy? A large Dutch food & beverages multinational includes an overview of the most frequently asked questions by stakeholders in its annual report. Showing legitimate concerns of key stakeholders significantly adds to the credibility of their sustainability narrative. Might this be a good practice that the Group could follow?

One aspect that may draw particular attention of stakeholders is a forward-looking view on the Group's sustainability strategy. Nowadays, annual reports are no longer just a summary of what has been done over the last year, but increasingly shifting towards what will be done in the years ahead. This allows stakeholders and investors to assess the credibility of KPIs and commitments beyond the horizon. The Group scores well on this regard, as detailed plans to achieve targets are disclosed per materiality item, assuring results both in the present and the future. European frontrunners have tied senior management remuneration to medium and long-term sustainability outcomes. Could this be an example that the Group may want to follow to further embed a forward-looking vision into its corporate strategy?

This shift from backward to forward-looking reporting also reflects the increased tendency among global corporations to focus on impact rather than sustainability. 'Traditional' sustainability revolves around mitigating ESG-related risks, whereas impact-oriented companies move from this 'doing-no-harm' mindset to a 'doing-good' mindset. This does



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not render ESG reporting irrelevant, it simply means that it no longer serves as a key differentiator. To remain ahead of its competitors, the Group should persistently seek opportunities to contribute positively to larger societal issues. This corroborates the notion that the Group should continue to identify channels through which its operations are conducive to healthier lifestyles and regeneration of the environment.

Thank you for the opportunity to share my thoughts and suggestions on the sustainability reporting of the Group. I want to emphasise that I have done this while recognising the hard work of the company on its reporting. It shows the ambition and success of a company that clearly has a deep motivation to take sustainability and its relationship with stakeholders seriously. The Group is among the sustainability top performers of its sector and to maintain that position the group should continuously and critically assess how it can improve value creation for both its people and planet. I wish you well on your journey to further embrace sustainability as 'business as usual'.

Perspective from the Americas

Overall Assessment

The Ajinomoto Group's impressive integrated strategy is settling into a maturity phase, with a solid framework foundation that is yielding results in all areas – sales, profits, brand value, earning per share, dividends, ROA, ROE, ROIC and Asset Turnover are all up, while R&D expenditure continues to grow, and greenhouse gas emissions, food loss, waste, water, and plastics use continue to decrease. Investments in human capital and other social factors are getting stronger as well. Metrics and targets around 'Promote better health and life' are crystalizing.

In terms of usability, the Group manages to present a wealth of information in an increasingly digestible and connected set of formats through its ASV Report (Integrated Report), Sustainability Databook, Financial Report, Sustainability Website, and SASB and GRI Indexes, as well as data tables for social and environmental issues. I particularly like the news feed that provides a one-stop destination for the latest off-cycle updates.

Integrated Report (ASV Report)

The Integrated Report - now renamed the ASV Report - is strong in terms of quality and content, combining financial and sustainability information in a meaningful way.

To advance the business model transformation across all of the Group's businesses the new CEO, Taro Fujie, introduces the idea of delivering the "essence of happiness" as a unifying purpose for the Group as well as the strategy that combines "Sharing" (purpose x passion x OE) and "Evolving" (speed up x scale up), as well as a shift from the MTP to KPI management to achieve 2025 and 2030 targets. With a strong set of goals and KPIs the Group is poised for success.

The focus on strengthening intangible assets to generate future value is aligned with an integrated strategy and the three focus areas – Human Assets, Technology Assets, and Customer Assets – are key to generating sustainable value and seem to be generating results in terms of increased brand value. In particular, it was interesting to see how the ASV Report connects investments in Human Assets to increased sales and profits. I look forward to seeing further elaboration on the links between financials and intangibles.

As last year, the ASV Report connects financial impacts with environmental impacts, reporting progress for each by business segment. The connection between the material topics identified and the overall business strategy is strong. Inclusion of risks and opportunities by material topic in the ASV Report provides readers with well rounded, decision useful information.

Further, I was pleased to see candid details on both short-term and medium-term KPIs for performance linked compensation for Executive Officers that include financial, social and environmental assessment weightings, but next year I would expect to see specific performance targets connected to both employee engagement and ESG targets. In line with the new IFRS guidelines, I would expect to see further details around the climate-risk analysis in the ASV Report next year as well. By virtue of reporting to SASB standards, the group is well prepared to report the industry specific disclosures outlined by the IFRS although some of the metrics are not using the same units as recommended. Overall, the Group reports on more than half of the recommended SASB disclosures, and included specifics on revenue from products labeled and/or marketed to promote health and nutrition attributes for the first time in this reporting cycle.



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Sustainability Data Book

The quality of the Group's 2022 Sustainability Data Book is strong as always, my favorite part being the actual data tables at the end. Harmonization with the ASV Report is evident. In terms of content and layout, the Data Book is extremely similar to last year's report, even repeating a lot of the content verbatim. I see this as a sign of maturity. With programs, goals, and targets are relatively set, the focus is now on progress and performance. The Activity Report section of the report now includes a 'key initiatives and progress' highlights section that provides a nice summary overview of programs for those who don't have the patients to read the whole report. In the future, I'd like to see the goals and targets presented for each material topic in the summary page together with the specific examples, risks and opportunities, key initiatives and SDGs, in a format similar to the ASV Report.

Performance on environmental issues is particularly strong. It is evident that the Group is decoupling carbon emissions from production – both in absolute terms and per unit of production - reducing energy use overall, and increasing the use of renewable energy. However, sulfur oxide emissions seem to be increasing, which is a potential area of concern. Another, areas of concern is the increase in output of hazardous waste, although recycling rates for that waste stream are increasing. However, encouragingly, overall resource recovery is on the rise. The Group shows good progress in terms of food loss and waste, particularly in terms of total volume used for alternative purposes. Further, water conservation efforts seem to be yielding results as well, with overall water consumption on the wane, and proportion of recycled water increasing.

In this year's Sustainability Databook I was impressed with the progress on climate-related scenario analysis and the detail of which was presented including countermeasures to each identified risk. Potential financial impact has been calculated for several of the risks for both the 2 degree and 4 degree temperature rise scenarios. However, more work needs to be done to quantify potential risks associated with increased the physical risk of severity and frequency of floods and droughts, as well as transition risks including mandates and regulations on products, changes in consumer preferences.

In terms of social factors, I was pleased to see a fourth female Board member, as well as increases in the percentage of females promoted as new managers as evidence that the Group is performing on their commitments to gender equality. Regarding the manufacturing labor force, I was also pleased to see improvements in safety with lower absenteeism, injury rates and severity.

For next year, it will be interesting to see how the Group adapts to the Revised 2021 GRI Standards and meets the new IFRS reporting standards with further elaboration on the quantification of climate-related risks. I look forward to continued positive progress for the Group across all ESG dimensions!

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Perspective from Asia

■ From the eyes of an ecologist

As a scientist who mainly read reports of research publishing, I must admit that I was a bit concern when first received the review invitation on a company's annual report. My worries were nullified as the ASV Report, along with its supporting documents (mainly Sustainability Data Book and Appendix) are very well prepared and organized in clear and concise manner. I am sure the report itself is a successful outreach to the company's stakeholders and potential investors from all walks of lives and backgrounds.

I am especially fascinated with the chapter on "Medium-to-long-term growth strategy" in the ASV Report. The strength of the R&D team in leading the transformation of the business model is remarkable. A long list of innovations in the areas of integrated food products, AminoScience and in digital technology was shared with promising approach to achievement by FY2030. Notably, the cultivated meat and low environment impact protein represent good value-added products with robust business growth, besides able to sustain global resources at the same time. Food claimed to create physical health are aplenty, but food that create mental health is a definite new niche to venture into.

To be able to anticipate rapid change in the global market and spearhead in innovative technology know-how, human resources are the main asset in driving and shape the next generation business. The Ajinomoto Group adopts the approach to look "internally" for new creation and foster talent in the "Talent management policy". Program such as the A-STARTERS (program for openly recruiting business idea) and "Cross-sectional human resource", work well in harnessing talents within the workforce with diverse experience and specialisation. Besides this, it is recommended for the Group to take on a bolder approach to reach out for potential spin-off research business opportunity externally. The bandwagon that has attracted much interest lately in talent search is through e-Pitch. Contrary to the physical pitching workshop (a.k.a. the pressure cooker process) in the past, e-Pitch provides online platform that allows startups and bright young minds to share idea to potential investors directly. I am sure the accelerated use of digital technologies of the Group would allow for increase opportunity to direct communication with talented mind worldwide.

From the standpoint of an ecologist, the electronic material sector (Lead by core product, the *Ajinomoto Build-up Film*®) represents the lowest environmental impact scenario with relatively minimal CO₂ emission and plastic usage. I am glad to see swift actions taken to expand this advance IT society business with the completion of a new R&D building. However, I have some concern over the high food loss and waste disposal percentage recorded by the frozen food sector. There also seems to have contradicting statements in the ASV that says frozen food has social value in reducing food loss and waste, while the infographic on frozen food environmental footprint shows the other way round.

I appreciate the many green initiatives incorporated in the products' life cycle of the Group. Environmental wellness and rehabilitation were mentioned in many parts of the ASV Report. Key initiatives on GHG reduction, plastic usage, food loss and waste reduction were set and achieved within the last few years. As for the water consumption per production volume unit, it is congruous to derive the reduction rate using nearer term (FY2018, instead of FY2005) as base for comparison. While doing so, I noticed the rate of water conservation effort were less fruitful in late (FY2018 to FY2021, with a mere reduction of 1% at best). A worrying trend is on the reliance of water source from groundwater (average up to 23% of the total water consumption). Though this underground water source was claimed as 'renewable', care should be taken to ensure withdrawal rate is way lower than the slow natural replenishment from the rain water. More options should be weighted urgently to look for alternative water sources such as rain water harvesting at site and solar-powered distillation on sea water (feasible only at site near the coast).

I would also like to echo the point made by Professor Shunsuke Managi (in the sustainability data book) on the importance in preserving biodiversity. As the core of the Group's production lies in biological processes such as fermentation, a wealth of opportunity in finding new substrate and raw material is made possible with a healthy and balance natural ecosystem. Equal focus should be emphasized on environmental/biodiversity sustainability, along side with the business sustainability of the Group. Moving along this line, more members with sound experience and expertise in environmental protection should be recruited in the Sustainable Advisory Council to provide advice on matters related to nature conservation. The length of service time for the members in the sustainability advisory council is preferably remain short (2 to 3 years) to maintain its viability.

In line with the many efforts to cut down GHG emission, the Group could look into other ways to achieve the



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32% reduction in carbon footprint from FY2022 to FY2030. Develop nature conservation project in partnership with the local people is one of the way to showcase the company's commitment to nature care. Careful selection of site with high conservation value should be the primary step. Coastal wetlands play vital role in combating climate change by sequestering tremendous amount of carbon in the soil and biomass. Within this context, investing in conservation related project to protect and promote the awareness on wetland's importance brings return in the form of carbon emission trading. Integrating carbon finance will be the key in the next phase of carbon emission control and hopefully stakeholders could hear more about it in the Ajinomoto Group subsequent ASV.