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The Ajinomoto Group's Approach to its Sustainability Advisory Council

Transparent, Inclusive and Future-looking

In April 2021, the Ajinomoto Group (“the Group”) **established its Sustainability Advisory Council (SAC)**, setting the stage for a long-term strategy with social value at its heart in pursuit of increased corporate value. This initiative was put forward by former CEO Takaaki Nishii with the aim of **driving positive societal change for generations to come by reducing environmental degradation and improving global health, well-being and social equity**. Taro Fujie, having took up the baton as CEO in April 2022, has vowed his commitment to the SAC and its values, as well as his firm dedication to ensure smooth continuity of its operations.

When discussing the formation of the Council, SAC Chair Scott Davis, Professor of Global Business at the College of Business at Rikkyo University, said, “The Group had already completed a carefully planned and thoughtfully implemented materiality issue identification process. It was already a leader in the field. But **the goal was to redefine the field for the sake of the future**. This required creating an entirely new and unique process and that is what we are doing.” The SAC has held already three rounds of discussions with the purpose to adopt a transparent, inclusive, forward-looking and comprehensive approach to social and environmental issues. The process is evolutionary as each SAC meeting informs the needs of the next.

Overcoming Limitations and Creating Synergies Through Inclusion and Diversity of Knowledge

Tied to Ajinomoto Co., Inc.'s Board of Directors, the SAC includes representatives from senior management as well as nine external experts specializing in different sectors ranging from the field of health and nutrition, emerging countries, the millennial generation, environmental, social, and governance (ESG) and impact investment, and the media. Former CEO Nishii explained the reasoning behind this prioritization: "We placed the SAC as an advisory body to the Board of Directors to ensure sustainability is included in our business strategies. Sustainability is a very broad theme and I felt it was necessary to establish materiality through thorough discussions with a group of experts from different fields I thought were missing from our original approach. That is to say, I thought there had not been enough discussion about **the kind of contribution that's uniquely the Group**, not only in terms of what we can do, but also in terms of **drawing out the potential that the Group possesses**. To ensure that we continue to shine as a solution-providing group of companies for food and health issues in 2030 and beyond, we gathered experts with proven track records on a global scale in a variety of fields, as well as representatives of the next generation of stakeholders."

The process of involving and engaging various stakeholders, both internal and external to the Group, highlights its inherently inclusive and cross-sectoral nature. This unusual yet pioneering and substantial structure is enriching for the company as SAC member Mana Nakazora, Vice Chairperson of global markets at BNP Paribas Securities (Japan) Limited, raised, "**At first, I wondered, and even struggled with, if it would be all right for the group to be so disparate**. Normally, when advisory councils are put together, the choice of members is not surprising, and there is a tendency to appoint a certain expected type of person when it comes to ESG. But in this case, **the absence of this stereotype actually created a synergy.**"

Given the diversity of expertise, the Group ensured the SAC was based on a very clear, open, supportive and transparent process. From the onset, the company communicated meeting expectations during pre-conference and post-conference sessions to continually facilitate engagement, food for thought and time to reflect. The company also provided the SAC members with tools and materials including videos and virtual tours enabling an exhaustive overview of business objectives and operations, as well as insights into the value generated throughout each business unit. Yu Aoki, SAC member and President and CEO of MATCHA Inc., humbly expressed his gratitude for the support received to stay abreast of developments, "I felt that I lacked the knowledge compared to more experienced participants in the SAC, so I made several individual appointments with Mr. Nishii and Ms. Morishima, the executives, and they were very willing to accommodate me and eager to help, which **made me feel that they were very open with me.**"

This structure that integrates a diverse expertise has also provided a solid foundation and safe space for **mutual listening, understanding, cooperation and respect for diverging opinions**. SAC member Yoshiki Ishikawa, Representative Director of Well-being for Planet Earth Foundation and Co-Founder of Cancerscan, stated that the SAC is **a place for people to come to understand different points of view, a place for many 'Aha!' moments, the moments where you think 'I never thought of that before!'** So, even if I think something is a little different from my own viewpoint, I don't have to disagree with it. I say, I respect that, and by the way, I have a different point of view. I think it is a place to expand opinions. Reinforcing this point, Kimie Iwata, Outside Director and Chair of the Board of Ajinomoto Co., Inc., also raised that she was impressed by other members' points of view and inclusive approach: "I was struck by what they said about how we need to create a process

for young people to participate if we want to understand their values and needs. And when we discussed environmental issues, although this was not limited to the concept of ‘locally produced for local consumption,’ I very clearly understood that the very act of moving things around is putting a burden on the earth.”

This constructive approach allows the Group to **address global issues in a comprehensive and horizontal manner, avoiding blind spots**, as Mr. Aoki explained, “The issues facing the world today are becoming increasingly diverse, and it is becoming difficult for a single company to solve them alone. Through this process, I saw that it is very effective to involve all stakeholders at the root of discussions, and I thought I should put this into practice myself.” Drawing inspiration from this effective process, Mr. Aoki **incorporated the Group’s approach to the SAC into his own company’s management procedures**. “I learned a lot about being open with our shareholders and we are making efforts to include diverse opinions in MATCHA Inc’s decision-making process. That’s something I took away from the Group’s SAC meetings,” he said.

Creating Value Through Constructive Dialogue and Forward-looking Perspectives

While the establishment and development of corporate plans is usually confined to management executives within an organization, the Ajinomoto Group relies on a widely inclusive process. **In this forward-looking approach, all SAC members are involved in discussions relating to strategy and ambition**, enabling an atmosphere which is conducive to constructive dialogue and valuable exchange of ideas. The SAC provides a platform for members to gain new insights and different perspectives while working towards a common goal. Illustrating this idea, Ms. Nakazora commented, “In the financial market, everyone thinks that you have to make money, no matter what. Instead, there were quite a few SAC members who focused more on materiality or the higher-level goal that needs to be achieved, and that **the profit should be the result of solving societal problems**. Each of their statements was truly eye-opening.”

Takao Toda, SAC member and former Vice President for global health and human security with the Japan International Cooperation Agency (JICA), expounded on this procedure’s benefits by highlighting, “The SAC is not a group of people who simply rubber stamp a prepared report saying, ‘Okay, this is done,’ and I think that is very unique. **What’s wonderful about this process is that there is no draft script**. I have served on advisory committees of governments and various organizations, and I know that there are people who thoroughly prepare such things. There’s usually a draft prepared to set the framework. But here, they don’t ask things like, ‘Can you help us navigate the discussion to this direction’ or ‘We have written this draft, so please give us your opinion.’ This doesn’t exist with the Group’s SAC. One way of looking at it is that we can say whatever we want. A better way to say it is that **over the past year and some months, we have been able to discuss things very freely and dynamically about sustainability**.”

By weaving and consolidating information and expertise, the SAC is ultimately shaping a sustainable, socially oriented and seamlessly integrated strategy for the future. George Nakayama, Outside Director of Ajinomoto Co., Inc., emphasized the importance of this engaging dynamic to create solutions and make progress: “The discussions with the SAC are essential for the Group in defining how the company should move sustainability forward - including how the company sees society, how it should approach society and how it should participate in society. I believe **the SAC**

discussions are forming the foundation that the Group’s executives can then continue to refine.”

In addition, the Group is developing long-term objectives learned from the SAC. As opposed to the traditional short-term perspectives usually reflected among global organizations, the company’s leadership adopted a proactive and future-oriented stance by projecting and forecasting scenarios for the years 2030 and 2050. Extending well beyond the immediate future, “there are many uncertainties in discussing the year 2050, but collectively thinking about it is very helpful in understanding what is lacking today,” said Ms. Iwata. Reinforcing the added value of this shared vision, Naoko Kimura, SAC member and membership Senior Manager at Global Impact Investing Network (GIIN), insisted it will **“inspire and galvanize the Group employees and stakeholders, enabling the Group to move and act quickly.”**

Echoing these words, Kraisd Tontisirin, SAC member and Professor of Institute of Nutrition at Mahidol University in Thailand, highlighted the deep engagement with various levels and sectors within the Group, “After the introduction of the SAC, and based on the existing Ajinomoto Creating Shared Value process and plan, the company engaged more with its upper management and with staff at various levels. That indicates **a strong and continued commitment to pursue sustainability** for the company. Eventually, **you need to further value creation for business and for society as well.”**

What’s Next?

Together, the members of the SAC will continue building a solid foundation for a strategic and resilient sustainability plan across all levels and operations of the Ajinomoto Group. The work developed will be aligned with the Group’s extensive history, ambition and activities. The transparent process and inclusive structure on which the SAC is based will serve to drive and enact a positive green and social transition for the business but also for society at large. **“The true value of the Group lies in how it creates the ‘essence of happiness’ for all stakeholders – today and generations for centuries to come,”** said CEO Fujie, proclaiming a key tenant of his leadership at the Group.

The next step for the SAC will take place on 27 October 2022, where at the fourth and final meeting discussions will revolve around the theme of defining expectational dimension (materialities) for the realization of its sustainable value creation story before presenting Ajinomoto Co., Inc.’s Board of Directors with a final report.