

Guidance on Sustainable Management for Food Industry

(Provisional translation)

Guidance for goal setting and information disclosure

March 2023

MAFF

(Finance Office, New Business and Food Industry Policy Division,
New Business and Food Industry Department, Minister's Secretariat,
Ministry of Agriculture, Forestry and Fisheries)

Aim and positioning of this guidance

- In recent years, the environment surrounding the food industry in Japan has changed dramatically. While the business environment continues to be severe, with supply chain* disruptions and market changes triggered by the COVID 19 pandemic, and rising prices due to the impact of Russia's invasion of Ukraine, There is no time to wait to respond to environmental and social sustainability issues such as climate change and respect for human rights.
 - * In this guidance, basically, the company's upstream side in the value chain is defined as the "supply chain."
- In order to bring about sustainable development of the food industry into the future, and eventually to lead to a stable supply of food to consumers, a wide range of companies belonging to the food value chain must consider environmental (E) and social (S) sustainability. In addition, it is essential to promote management (sustainable management) with a governance system (G) in place to manage these efforts. Among large food companies, an increasing number of companies are considering ESG issues as business risks and opportunities, incorporating them into their management strategies, and implementing various initiatives. However, looking at the industry as a whole, including small and medium-sized food companies, it seems that there are quite a few companies that say they have not sufficiently responded to ESG issues or that they are considering how to respond.
- This guidance is mainly targeted to managers aiming to practice sustainable management at small and medium-sized food companies that are business partners of large food companies, as well as employees who are in charge of this. In response, we introduce important points for promoting sustainable management, and items for target setting and information disclosure expected for major ESG issues surrounding food companies.
- This guidance has been formulated with the following points in mind, so that large food companies and small and medium-sized companies that are business partners of the large companies can promote collaborative efforts based on mutual understanding, (1) Consistency with domestic and foreign rules and standards, (2) Satisfying the efforts that large food companies expect of business partners, and (3) Being able to be undertaken by small and medium-sized food companies. In addition, it is expected that this guidance will not only be read directly by the managers and employees of small and medium-sized companies, but also used by large food companies in briefing sessions for small and medium-sized food companies.
- In addition, in the "Fiscal Year 2021 Commissioned Survey Report on the Impact of ESG Investment on the Food Industry, etc." (published in March 2022 (URL is on page 18)), we have compiled basic information such as the main ESG issues surrounding the food industry and their impact, investors related to ESG issues, information disclosure rules, trends in evaluation organizations, and examples of efforts by food companies in Japan and overseas. Please also refer to this when using this guidance.
- We hope that this guidance will help food companies to understand and implement sustainable management and help them to achieve both their own growth and the realization of a sustainable society.

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Structure of this guidance

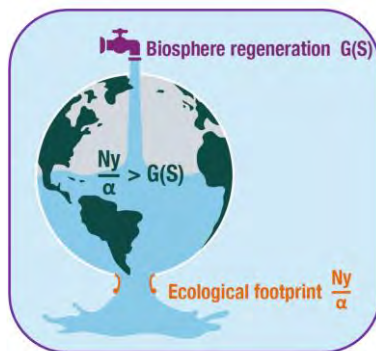
Chapter	overview		Target audience
I. Introduction	✓ Explanation of the background behind the need for sustainable management and important points when implementing sustainable management		✓ Managers of small and medium-sized food companies aiming to practice sustainable management ✓ Staff of small and medium-sized food companies who want to promote management's understanding of sustainable management
II. Key points of sustainable management			
III. Target setting and method of action for each ESG issue	✓ For each of the following 7 ESG issues, explain why you are tackling (the relevance between issues and food companies), what you are tackling (setting goals), and how you are tackling them (method of tackling them)		✓ Staff of small and medium-sized food companies that are suppliers of large food companies (regardless of whether the company is listed or unlisted)
	Introductory to Advanced	<Particularly important ESG issues common to many food companies> ①Climate change ②Respect for human rights <ESG issues required to be addressed by law> ③Food loss reduction, food waste recycling ④Plastic-free, recycling of containers and packaging	✓ Staff of small and medium-sized food companies that are trying to address issues such as climate change and respect for human rights (regardless of whether the company is listed or unlisted)
	Advanced	<ESG issues with different importance depending on each company> ⑤Conservation of the natural environment and biodiversity ⑥Consideration for animal welfare, restraint on the use of antibacterial agents ⑦Consumer health and nutrition	
			✓ In addition to climate change and respect for human rights, Staff of small and medium-sized food companies that want to further respond to ESG issues (regardless of whether the company is listed or unlisted)
IV. Methods of information disclosure for each ESG issue	Introductory	✓ Explanation of the concept of information disclosure for large food companies that are client companies	✓ Staff of small and medium-sized food companies who respond to questionnaire surveys requested by large food companies that are client companies (regardless of whether the company is listed or unlisted)
	Advanced	✓ Explains the concept of information disclosure for a wide range of stakeholders inside and outside the company and the characteristic disclosure items for each of the above seven ESG issues	✓ Staff of small and medium-sized food companies that intend to disclose information not only to client companies but also to a wide range of stakeholders (mainly listed companies)
Appendix: Reference collection of target setting and disclosure items	Advanced	✓ Introducing examples of target setting and information disclosure items for each ESG issue determined by domestic and overseas standards and initiatives	

I. Introduction

Background ① Why is "sustainable management" necessary

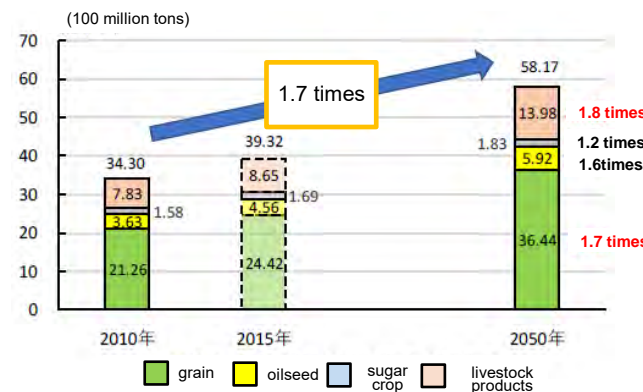
- The food industry exists thanks to the blessings of the global environment, such as air, water, soil, and food, and to a society in which people can live healthily and happily.
- However, the amount of resource consumed by human activities has already exceeded the amount that the global environment can reproduce, and it is said that it reaches 1.6 times the renewable amount [1]. In addition, in the activities of food companies, problems such as discrimination and harassment of employees, child labor and forced labor in raw material production areas have occurred in some areas. Continuing the conventional business model makes it impossible to maintain and improve the sustainability of the global environment and society, as well as the business continuity of the company.
- For the above reasons, various efforts have been started, mainly by large leading food companies. However, these cannot be achieved by the efforts of some large food companies alone. In other words, it is necessary to address the entire value chain, from the production of raw materials to processing, distribution, and consumption. For these reasons, large food companies, etc. are requesting their suppliers, small and medium-sized food companies, to respond to questionnaire surveys to confirm the status of sustainable management and to implement specific measures such as requesting compliance with the code of conduct. and the opportunities have increased in recent years.
- Behind the efforts of large food companies to address ESG issues is the growing interest of investors (shareholders) and financial institutions. In recent years, in addition to financial information such as cash flow and profit margin, there is an increasing trend of ESG investment and financing that incorporates the environmental (E), social (S), and governance (G) factors of a company into investment and financing decisions. It accounts for about 60% of the total assets under management in Japan[2].

Resource consumption by humans exceeds the reproduction of the global environment



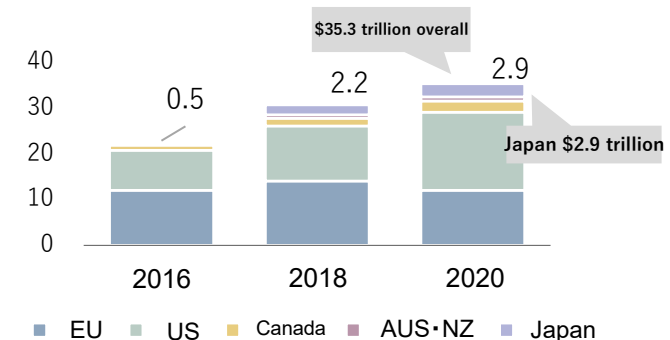
(Source) Created based on Dasgupta, P. "The Economics of Biodiversity: The Dasgupta Review" (2021)

By 2050, global food demand will reach 1.7 times the 2010 level



(Source) "World Food Supply and Demand Outlook in 2050 -Prediction Results from the Global Super Long-term Food Supply and Demand Forecasting System-" (MAFF, 2018)

The global sustainable investment balance is increasing year by year

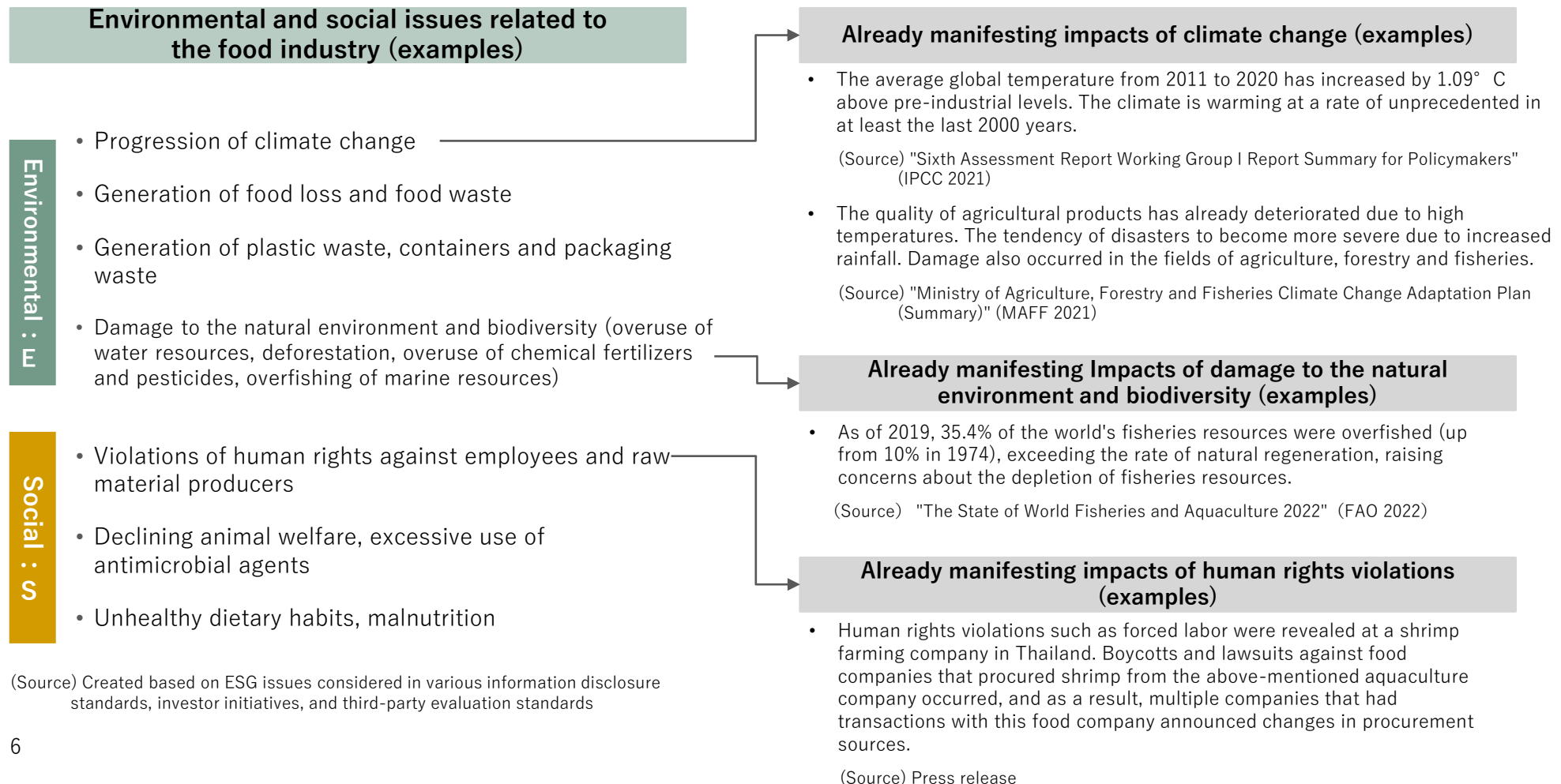


(Source) Created based on "Global Sustainable Investment Review 2020" (Global Sustainable Investment Alliance 2021), p.9

(Note) Due to significant changes in the definition of sustainable investment in Europe and Australia/New Zealand, direct comparisons between regions and data prior to 2020 cannot be made accurately.

Background ② Situation surrounding food industry and environmental/social sustainability 1/2

- The food industry as a whole value chain, from the production of raw materials to processing, distribution and consumption, is closely pertained to various issues related to environmental and social sustainability.
- Some of these issues are already having an impact. Failure to understand these situations and neglecting the problems and their impacts will affect the sustainability of the food industry and the management of each food company.

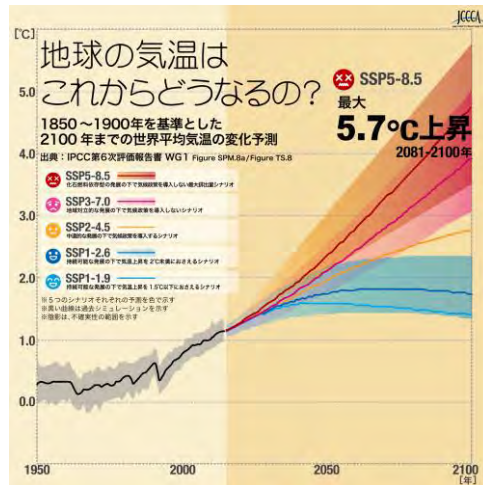


Background ② Situation surrounding food industry and environmental/social sustainability 2 / 2

- There are many environmental and social sustainability issues that could have a serious impact on our lives and the global environment in the near future if we do not take action now to resolve them.

If we don't address climate change...

- The global average temperature from 2041 to 2060 is likely to rise by 1.2 to 3.0° C above pre-industrial levels. If we continue to rely on fossil fuels and do not take measures, temperature could rise by 5.7° C by the end of this century.
- If the global average temperature rises by 2° C, the frequency of extreme high temperatures and heavy rains that occur once every ten years will increase 5.6 times for the former and 1.7 times for the latter.



(Source) Website of the Greenhouse Gas Inventory Office/Japan Center for Global Warming Prevention Activities (<https://www.jccca.org/>)

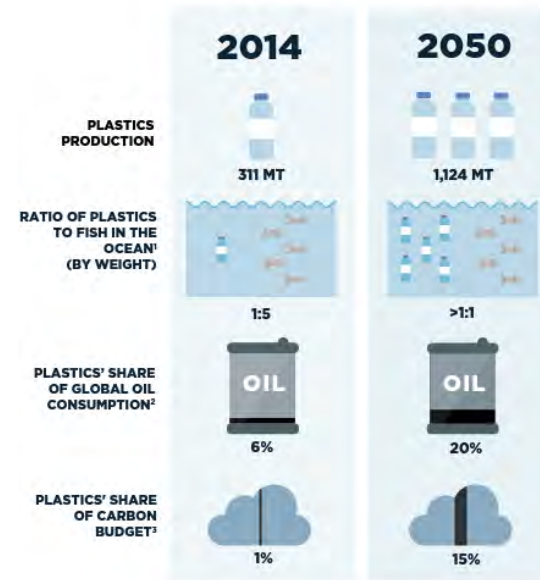
As the temperature rises, the following impacts may occur.

- Decrease in yield of agricultural products, decrease in growth of livestock, increase in pest outbreaks and expansion of habitats, increase in damage caused by diseases, habitat shift and decrease in population density of marine resources.
- Worsening of drought due to an increase in the number of dry days, etc., a decrease in river flow due to a decrease in the amount of snowmelt, an increase in heavy rain events that can cause floods, and an increase in the probability of flood peak flow and flooding occurrence.

(Source) "Climate Change Impact Assessment Report" (MOE 2020)

If we don't address the problem of plastic waste...

- It is estimated that by 2050, the weight of marine plastic litter will exceed the total weight of marine fish.



- Assuming no change in fish abundance (conservative assumption)
- The growth rate of oil consumption (0.5% per annum) is assumed to be lower than the growth rate of plastic production (3.8% per annum until 2030 and 3.5% per annum between 2030 and 2050).
- Carbon emissions from plastics include the energy used during manufacturing and carbon emissions from incineration and energy recovery after use. The latter assumes 14% in 2014 and 20% in 2050 to be incinerated and/or energy recovered.

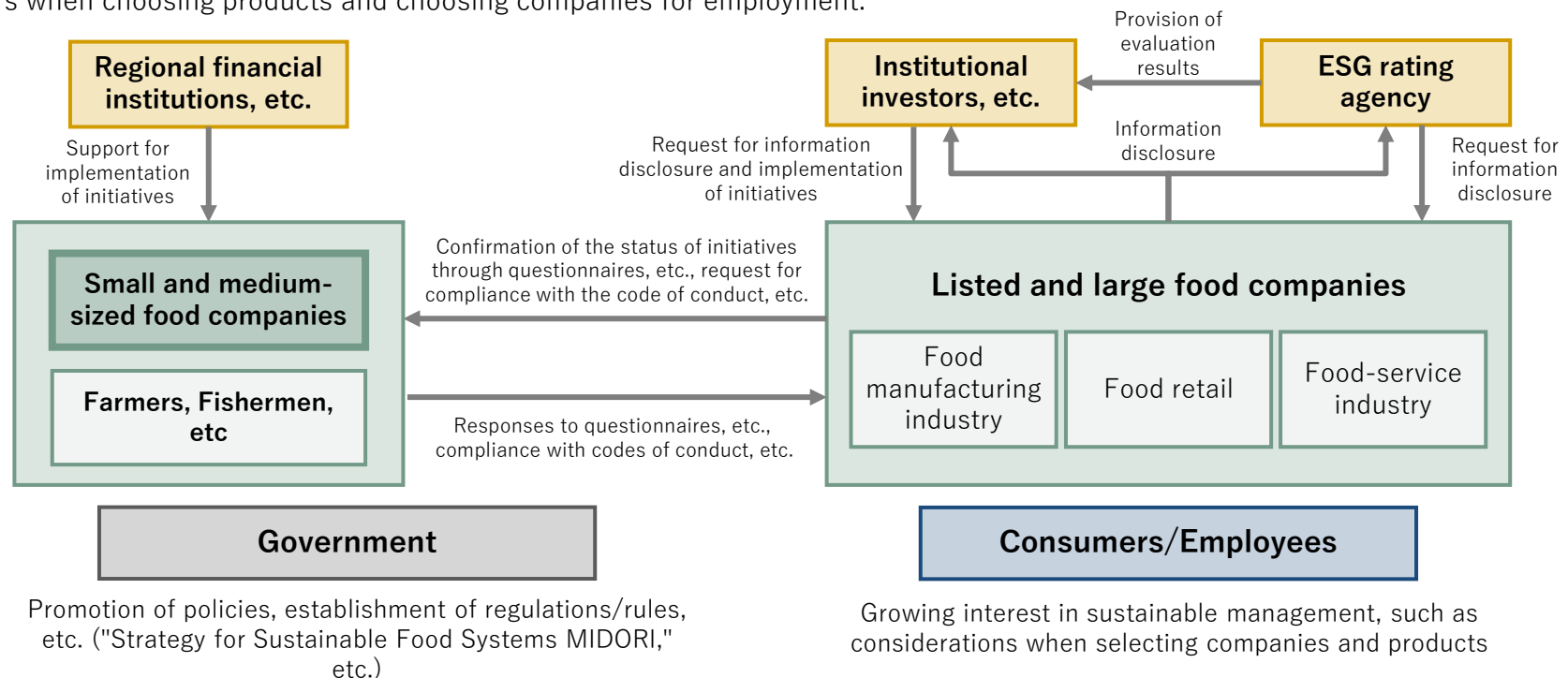
(Source) Excerpt from "The New Plastics Economy: Rethinking the future of plastics & catalysing action" (Ellen MacArthur Foundation 2016)

- As fish continue to ingest fine plastic waste (microplastics) along with their food, it is possible that plastic waste will eventually accumulate in the bodies of humans who eat fish, affecting their health.

(Source) "From Pollution to Solution: a global assessment of marine litter and plastic pollution" (UNEP 2021)

Background ③ Requests from various stakeholders

- Recently, various stakeholders of companies, such as business partners, financial institutions, shareholders, consumers, and governments, have increased their interest in ESG issues and the status of sustainable management by companies.
- Listed and large companies use surveys and other means to confirm the current status of ESG initiatives with the small and medium-sized food companies that are their suppliers. In addition, they are asking their suppliers to comply with the code of conduct and to implement specific measures in line with it.
- Investors (shareholders) and financial institutions are promoting ESG investment and financing that incorporates ESG factors into investment and financing decisions in addition to financial information. As part of these efforts, investors and financial institutions are requesting listed and large companies, which are investment and lending partners, to disclose information and implement initiatives related to ESG. At present, investors and financial institutions are not only interested in the ESG issues of their direct investment and loan destinations, but also in the value of food, such as small and medium-sized companies and raw material producers, who are the business partners of the listed and large companies mentioned above.
- Consumers and employees are also becoming more interested in sustainable corporate management, and it is becoming one of the factors when choosing products and choosing companies for employment.



Background ④ Impact on business

- As mentioned in Background ②, environmental and social sustainability issues are business risks that have a negative impact on the sustainability of the company itself and are also business opportunities that generate new growth. Regardless of industry, size, listed or unlisted, inadequate responses to environmental and social sustainability issues (risk manifestation, opportunity loss) will have a negative impact on business. Conversely, positive responses to these challenges (capturing opportunities, mitigating risks) can have a positive impact on the business.
- It is important for companies to incorporate consideration of environmental and social sustainability into their management and practice sustainable management that balances their own growth with environmental and social sustainability.

Positive and negative impacts on business from ESG-related risks and opportunities (examples)			
Positive impact	Performance impact	Increased revenue	<ul style="list-style-type: none"> • Improve productivity through systematic introduction of new technologies and equipment • Strengthen relationships with existing customers based on procurement standards that address ESG issues • Cultivate new customers and consumers who want to respond to ESG issues (including opportunities to receive orders for private brand products)
		Cost reduction, Cost increase control	<ul style="list-style-type: none"> • Sustainable and stable procurement of raw materials • Build and strengthen lasting relationships with suppliers • Efficiency of manufacturing, distribution, operation processes, etc. • Secure human resources, improve retention rate (≠ Reduce recruitment costs)
	Impact on corporate value		<ul style="list-style-type: none"> • Improve corporate brand value
Negative impact	Performance impact	Decreased revenue	<ul style="list-style-type: none"> • Suspension of manufacturing and sales due to regulatory violations • Business stagnation and business suspension due to employee turnover • Boycotts and declining demand for existing products due to inadequate responses to ESG issues • Suspension or termination of transactions with existing customers whose procurement criteria are to address ESG issues • Loss of demand from new customers and consumers who place importance on responding to ESG issues (including loss of opportunities to receive orders for private brand products)
		Cost increase	<ul style="list-style-type: none"> • Increased costs due to the inability to sustainably secure raw materials, management and switching of problematic suppliers, etc. • Incurring fines for non-compliance with regulations • Increased costs due to unplanned introduction of technology and equipment • Declining talent retention rate due to inappropriate labor practices • Victims of human rights violations filing lawsuits and claiming compensation for damages
	Impact on corporate value		<ul style="list-style-type: none"> • Damage to corporate brand value

Column: Requests from business partners regarding ESG measures

- ✓ Apple in the United States has set a goal of achieving carbon neutrality in its global supply chain and the entire life cycle of all products by 2030. In order to achieve this goal, the company requires its suppliers to make decarbonization efforts, such as operating with 100% renewable electricity. In addition, they request reports on the progress of these activities and conduct audits on them.
- ✓ American food wholesaler Sysco requires suppliers to comply with a code of conduct that prohibits child labor and forced labor. In fiscal 2022, they had announced that they had temporarily suspended transactions with three companies based on an evaluation of their compliance status and had resumed transactions with one company that had worked on a remediation plan.
- ✓ Large food companies in Japan are also beginning to request their suppliers to comply with the Supplier Code of Conduct and to disclose information.

(Source) Websites of each company

* The above are only examples and are not limited to these

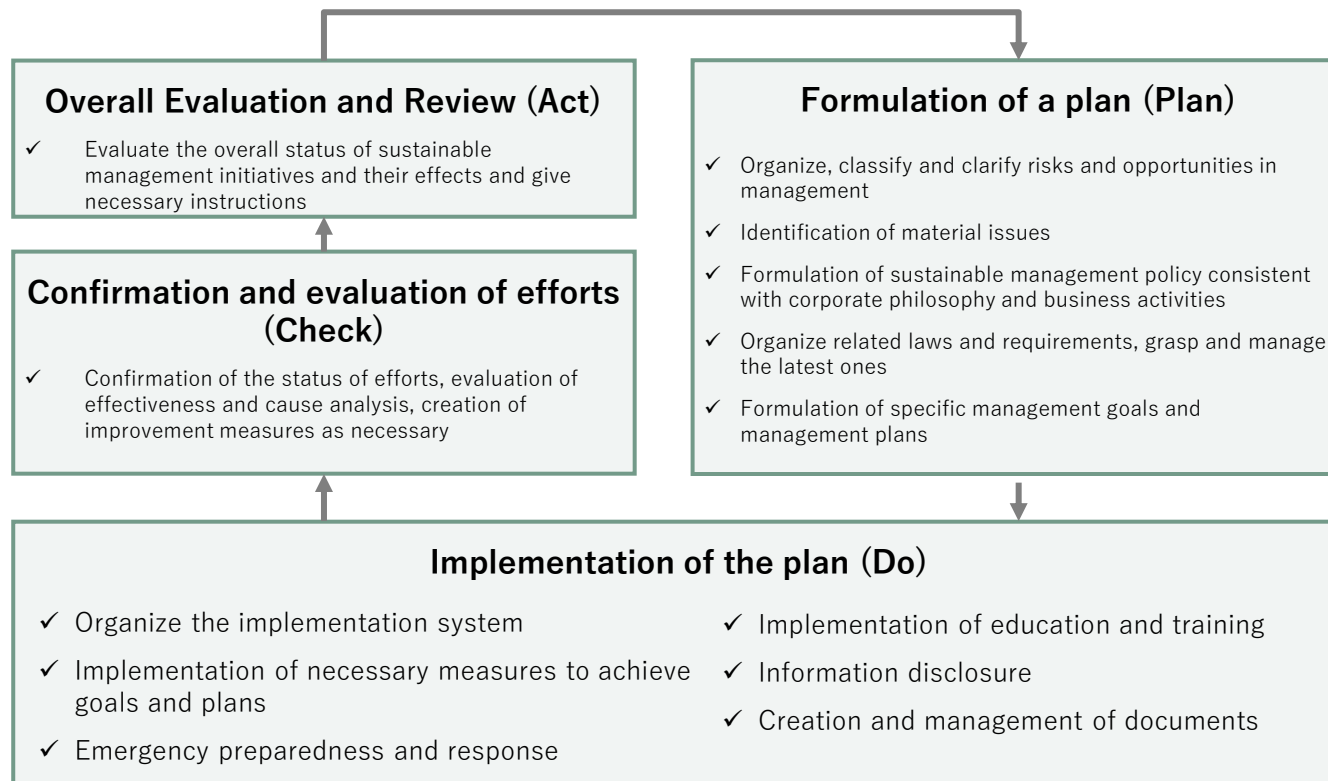
* In the “FY2021 Commissioned Survey Report on the Impact of ESG Investment on the Food Industry, etc.”, specific ESG risks and opportunities in the food industry (food manufacturing, food wholesale and retail, restaurant industry) is exemplified. Please refer to this as well.

II. Key points of sustainable management

Overview of sustainable management

- In order for companies to perceive issues related to environmental and social sustainability as business risks and opportunities that affect the sustainability of their business, and to promote company-wide responses to these issues, each company must implement the PDCA cycle (Plan: plan, Do: implementation, Check: evaluation, Act: review), and it is important to establish a mechanism for continuous improvement of initiatives based on this. Establishing such a mechanism means responding to "G: Governance" in ESG.
- The following three points are particularly important in establishing the above mechanism.

① Management buy-in and commitment ② Identify material issues ③ Establishment of department in charge and collaborate with other departments



Important point ① Management buy-in and commitment

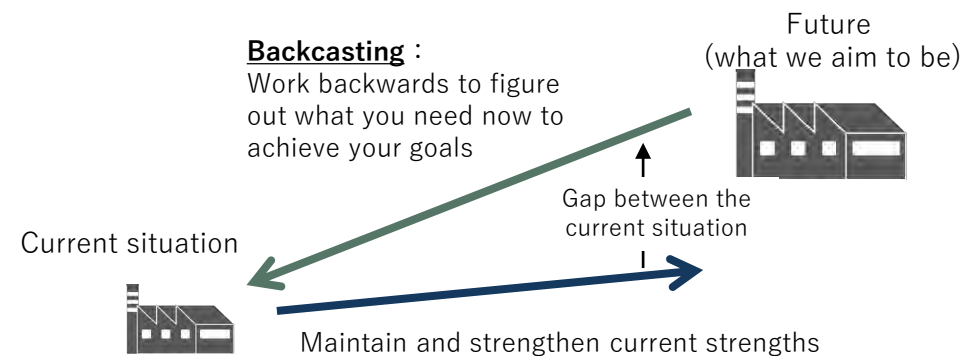
- Sustainable management must be implemented in all corporate activities, including procurement, manufacturing, sales, development, personnel and labor affairs, and it is important for all relevant departments to cooperate and work together. To this end, it is essential for the management team, including top management, to demonstrate strong leadership, set company-wide policies, and make a commitment to promote sustainable management.
- When formulating a policy, we will clarify the important issues that the company will address, based on the company's corporate philosophy. The established policy will be communicated to all employees in order to permeate the entire company. In addition, it is expected that the established policy will be publicly announced so that stakeholders can understand the intention of the company to promote sustainable management.
- In order to put the policy into practice, it is necessary to determine the company's long-term vision, and to allocate and invest resources (people, goods, and money) to fill the gap between the vision and the current situation. This is exactly what is done at the discretion of management.
- In addition, it may not be possible to close the gap between the company's vision and the current situation simply by maintaining and strengthening its current strengths. For this reason, when formulating policies, envision the company's future society and market without being bound by the past or the present, and incorporate a method of back-calculating (Backcasting) and examining the measures necessary to realize it.

Requirements for Sustainable Management Policy

- ✓ Align with corporate philosophy and business activities
- ✓ Considering risks and opportunities in management
- ✓ Clarify priority areas for efforts
- ✓ Pledge to continuously improve sustainable management
- ✓ Pledge to comply with applicable laws and regulations
- ✓ Specify the date of enactment (or revision) and the name of the representative

(Source) Created based on "Eco Action 21 Guideline for Food-Related Businesses 2017 Edition" (MOE/MAFF 2018)

Concept of backcasting (image)

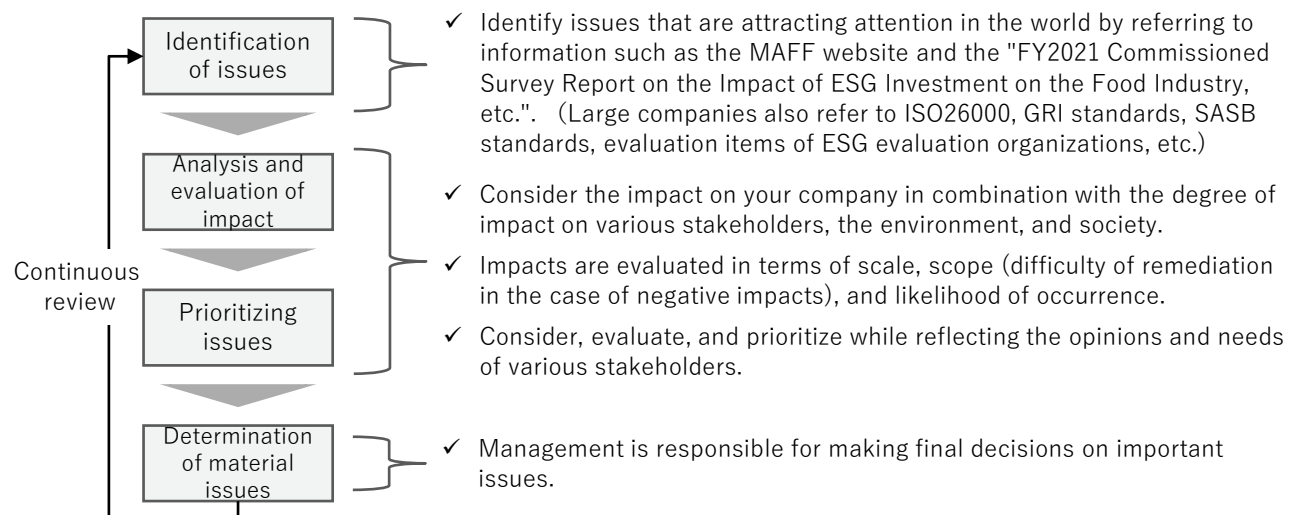


(Source) Created based on "Dialogue study group contributing to long-term management and long-term investment for sustainable corporate value creation (SX study group) Secretariat briefing material" (METI 2021)

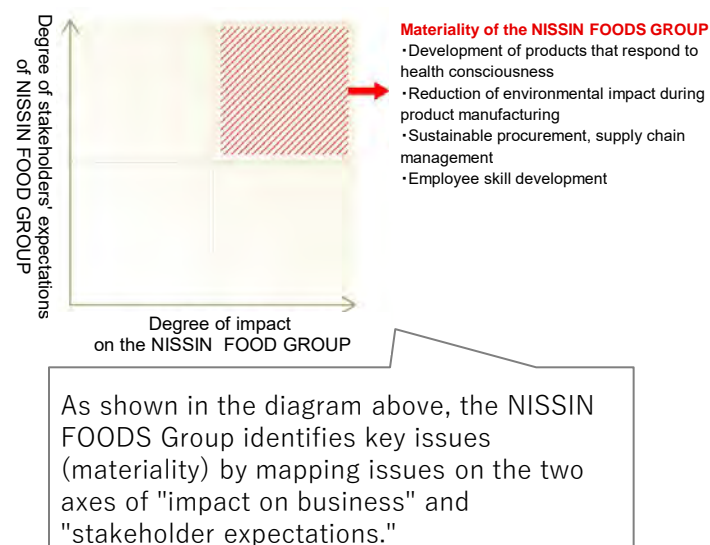
Important point ② Identify important issues

- The environmental and social sustainability issues that individual food companies should address differ depending on their business content, raw materials and products they handle, and the structure of their value chains. Also, it is often not easy to meet all challenges at the same time. Therefore, it is necessary to identify the important issues to be addressed by the company on a priority basis.
- When identifying material issues, It is important to consider both the impact on the company (sales, costs, etc.) and the impact on the environment/society and various stakeholders (level of concern, extent of damage when problems occur, etc.). In doing so, relying solely on the perspective of management may lead to overlooking issues that should have been dealt with or new issues. Through discussions with employees and persons in charge of financial institutions, participation in seminars held by governments and industry groups, etc., it is possible to more appropriately identify material issues. In addition, by participating in ESG-related business partner briefings held by large companies and checking disclosed information, you can also find out what ESG issues your main client companies focus on and what goals they set.
- In addition, the types of issues that need to be addressed and the level of efforts required change with the times. Even once a material issue has been identified, it is important to continuously review it and update it as necessary.

General procedure for identifying material issues



Column: Identification of material issues (case of large companies)



Important point③ Establishment of department in charge and collaborate with other departments 1/2

- For sustainable management, it is essential to build an implementation system with clear roles, responsibilities and authorities. In order to make the implementation system more effective, it is effective to establish a promotion department (or person in charge) in charge of planning and operation of various measures.
- ESG issues are deeply related to overall corporate activities, and it is difficult to fully address them through the efforts of promotion staff alone. For this reason, it is necessary to work in cooperation with other departments within the company, such as procurement, manufacturing, sales/development, human resources/labor affairs, public relations, finance, and IR. Listed companies and large companies have established a "Sustainability Committee" to discuss and make decisions on sustainable management with the participation of management, promotion departments, and representatives of each department, and strengthen cooperation between departments.
- Management plays an important role in promoting smooth collaboration between departments. Management is expected to communicate the importance and priority of responding to ESG issues within the company, and to actively participate in setting common goals among departments in line with company-wide policies.

Important point③ Appoint a person in charge and collaborate with other departments 2/2

Column: System to implement sustainable corporate management(example of a large company)



[1] The council is made up of outside experts from various disciplines, such as academia, emerging country perspectives, millennial and Gen Z perspectives, ESG/impact investors, as well as outside directors, and internal officers of the Company, including the president & CEO.
[2] Works together with the Sustainability Committee to formulate policies and strategies, offers recommendations for business plans from a sustainability perspective, and conducts reviews of policies and implemented measures.

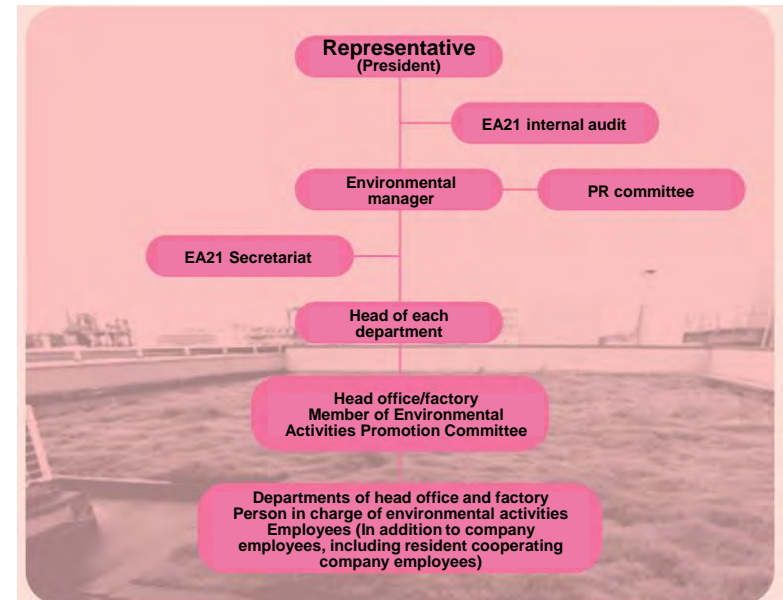
The Ajinomoto Group has established the following meetings to promote management that emphasizes sustainability.

- ① Established the "Sustainability Advisory Council" as a subordinate structure of the Board of Directors, with the participation of outside experts, outside directors, and internal officers including the President and CEO
- ② Established the "Sustainability Committee" as a subordinate structure of the management meeting, with the participation of the general manager of the global corporate headquarters, executive officers in charge, general managers of related departments, etc.
- ③ In addition, the "Sustainability Promotion Department" operates the Sustainability Committee in cooperation with the internal business operation organization, formulates policies and strategies for the entire group, proposes sustainability perspectives to business plans, and follows up on measures. The results are reported to the Executive Committee and the Board of Directors.

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(Source) Ajinomoto Co., Inc. "Ajinomoto Group Sustainability Data Book 2022"

Column: Promotion system for sustainable management (Case study of medium-sized companies)



Taiyo Yushi has established an implementation system for environmental management based on Eco Action 21, an environmental management system formulated by the Ministry of the Environment.

In this system, each department (department) head is responsible for building and operating the environmental management system of the department (department) under the environmental manager. They play a role in implementing education and training related to the management system, and in creating and promoting an "environmental management plan/implementation status/evaluation table" for their own division (department).

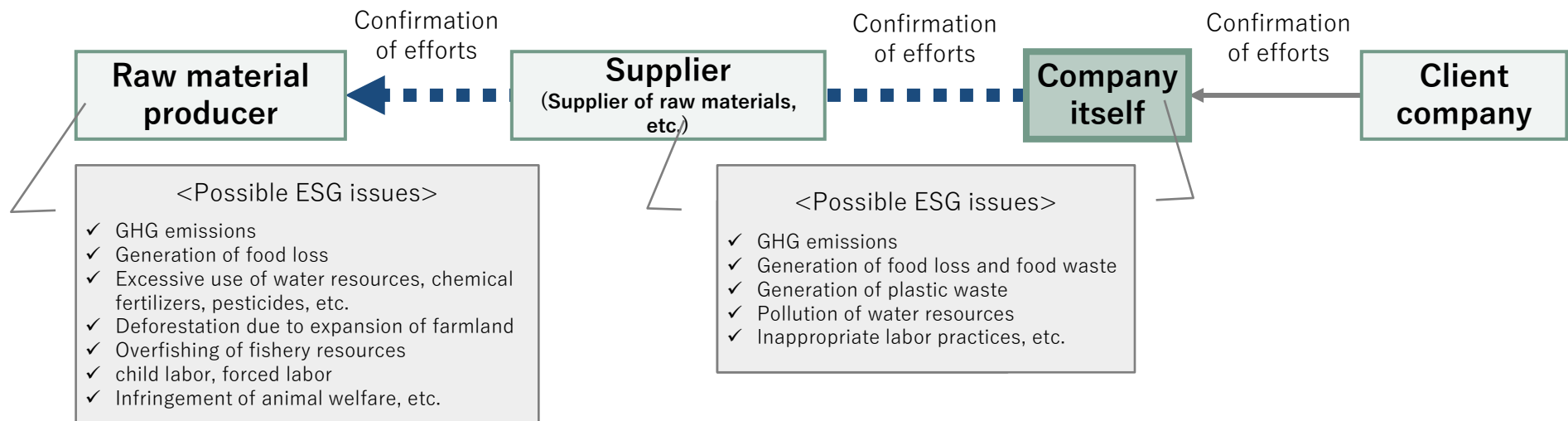
The "EA21 Secretariat" assists the above environmental manager, collects and manages company-wide environment-related data, grasps the operational status of company-wide environmental management activities, and make general adjustment to ensures that these efforts are efficient.

(Source) Taiyo Yushi Co., Ltd. "Environmental Activity Report 2021"

Supply chain management from the ESG perspective (The need to turn attention outside the company)

- Sustainable management is not limited to in-house initiatives. Since many environmental and social issues related to the food industry occur on the upstream side of the supply chain, it is also important to understand these situations.
- In large companies, so-called "sustainable procurement" and "responsible supply chain construction" are spreading, such as confirming the status of sustainable management at suppliers through questionnaire surveys, etc., and encouraging suppliers to improve their efforts as necessary. In particular, for some raw materials such as palm oil, coffee beans, cacao, and marine products, it is already becoming necessary to ensure traceability to the raw material production site (farmland, etc.). Forward-thinking companies are cooperating with suppliers and NGOs, utilizing satellite technology, etc.
- Food companies, including small and medium-sized local companies, are working on food traceability in order to comply with food hygiene management and the origin labeling system for raw materials of processed foods. In the future, in addition to the above, each company will be able to respond to questionnaire surveys by client companies as a first step. Furthermore, it is important to collect supply chain information and manage suppliers from the perspective of ESG, such as climate change and respect for human rights, for our own suppliers.

Gathering and managing supplier information from an ESG perspective (ensuring traceability)



Reference Materials/Links 1/2

[Reference materials useful for understanding the overall picture of sustainable management and important points]

- "Eco Action 21 Guideline for Food-Related Businesses 2017 Edition " (MOE/MAFF 2018)
https://www.ea21.jp/files/guideline/gl2017/shokuhin2017_kaishaku.pdf
Eco Action 21 is an environmental management system for small and medium-sized businesses formulated by the Ministry of the Environment. In addition to promoting the efforts of food-related businesses, it includes industry-specific guidelines for effectively and efficiently implementing those efforts.
- "SDGs Utilization Guidebook for SMEs (2nd edition)" (SME support Japan 2022)
https://www.smrj.go.jp/regional_hq/kinki/news/2021/ucigs50000003b7u.html
A guide for SMEs to utilize the SDGs in their business activities and carry out sustainable corporate management. Examples of efforts by SMEs, including food-related companies, are also posted.
- "Sustainable Development for All Companies – Sustainable Development Goals (SDGs) Utilization Guide – [2nd edition]" (MOE 2020)
<https://www.env.go.jp/content/900498955.pdf>
This guide is a guide for efforts to achieve the SDGs. This guide is designed for small and medium-sized companies that have not made any particular efforts on the SDGs, or are interested in the SDGs and are thinking of starting some efforts.
- "SDGs Management Guide" (METI 2019)
<https://www.meti.go.jp/press/2019/05/20190531003/20190531003-1.pdf>
This guide organizes how companies should work on "SDGs management" and from what perspective investors should evaluate such efforts. This guide has been formulated through discussions with CEOs of large companies and venture companies, investors, heads of universities, and heads of international organizations.
- "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0 (Guidance for Collaborative Value Creation 2.0)" (METI 2022)
https://www.meti.go.jp/policy/economy/keiei_innovation/kigyokaikai/Guidance2.0.pdf
[Advanced] This guidance is a guide to improve the quality of information disclosure and dialogue with investors. In this, information (management philosophy, business model, strategy, governance, etc.) that should be conveyed to investors as a common language connecting companies and investors is systematically and comprehensively organized. In addition, it presents a framework for implementing the following initiatives. (1) Synchronize social sustainability and corporate sustainability, (2) Strengthen management to realize the necessary management and business reforms, (3) Effective information disclosure, (4) Constructive and substantive dialogue.

Reference Materials/Links 2/2

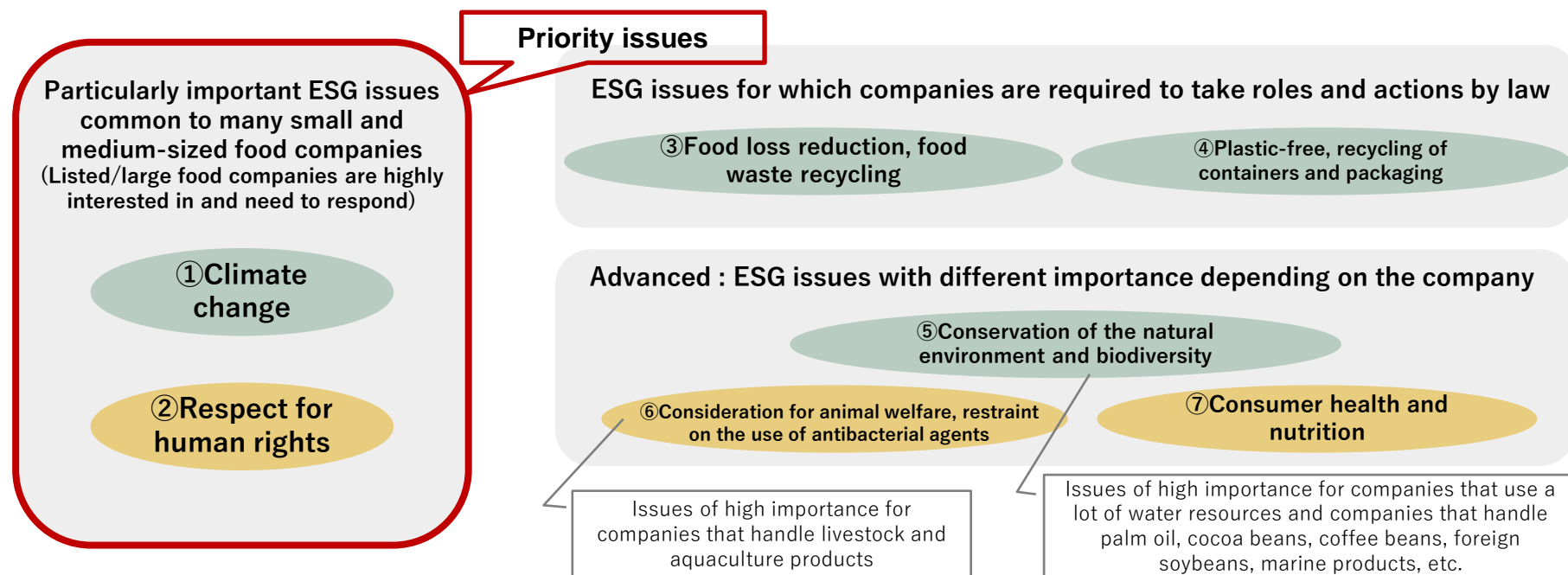
【Reference materials useful for "identifying material issues"】

- Ministry of Agriculture, Forestry and Fisheries website (SDGs x Food industry)
<https://www.maff.go.jp/j/shokusan/sdgs/>
This site introduces the relationship between the SDGs and the food industry, focusing on examples of food businesses that are working on the SDGs in practice.
- "Fiscal Year 2021 Commissioned Survey Report on the Impact of ESG Investment on the Food Industry, etc." (MAFF, 2022)
<https://www.maff.go.jp/j/shokusan/fund/esgitaku.html>
This report summarizes the need for food companies to work on ESG, a survey of the latest trends in ESG investment, an analysis of the impact of the progress of ESG investment on the food industry, etc., and examples of efforts by food companies in Japan and overseas. In this report, examples of ESG risks and opportunities common to three food industries (food manufacturing industry, food wholesale/retail industry, and food service industry) are presented.
- "Environmental Reporting Guidebook - Compliant with Environmental Reporting Guidelines 2018 Edition - Detailed Explanation" (MOE 2020)
<https://www.env.go.jp/content/900497078.pdf>
This guidebook explains the following points, etc., so that companies can use them when implementing initiatives based on the "Environmental Reporting Guidelines 2018" (MOE). (1) Basic knowledge such as background information and concepts of environmental reporting, (2) Procedures, writing methods, disclosure examples, and difficult matters for environmental reporting in accordance with the "Environmental Reporting Guidelines" (3) "Methods for identifying material environmental issues," etc. is explained.
- GRI "GRI 3: Material Topics 2021" (2021) *Japanese version available for download
[Advanced] The GRI Standards are a framework for reporting on the economic, environmental and social impacts of companies, etc., established by the Global Reporting Initiative (GRI), an international NGO in the Netherlands. Of these, "GRI 3: Material Topics 2021" presents the process for determining material items and how to disclose them.

III. Target setting and method of action for each ESG issue

ESG issues addressed in this guidance

- This Guidance covers the following seven ESG issues that are particularly relevant to food companies. In this, we explain why we tackle these issues, what direction we take (setting goals), and how we tackle them (method of action). In addition, these are also taken up in the "FY2021 Commissioned Survey Report on the Impact of ESG Investment on the Food Industry, etc.".
- Also, this guidance focus on two in particular: climate change and respect for human rights. The reason for this is that listed and large food companies are particularly interested in these issues, and in addition, there are increasing opportunities for many local small and medium-sized food companies to understand, cooperate with, and respond to them. (For example, responses to questionnaires from listed and large food companies are also required). However, this does not mean that issues other than "climate change" and "respect for human rights" are not important. As mentioned above, it is important to identify important issues for the company and promote initiatives based on the business content, the raw materials and products handled, the structure of the value chain, and the expectations and needs of stakeholders.
- In addition, many of the goals related to ESG issues are not stipulated by laws and regulations, and there is no clear goal that "it is enough to meet this". Therefore, With this guidance as a reference, it is expected that each food company will develop voluntary efforts.



Climate change: Why we will tackle this issues

■ What is the problem of climate change

- Human activities such as burning fossil fuels are increasing greenhouse gas (GHG) emissions such as carbon dioxide (CO₂). As a result, the average global temperature has risen by about 1° C compared to the pre-industrial period (1850-1900).
- Such global warming is increasing the intensity and frequency of extreme weather disasters such as droughts, heat waves and heavy rains. Even if GHG emissions are reduced, it is predicted that temperatures will continue to rise at least until the middle of this century, and the impact of weather disasters may become even more serious.
- In order to deal with the problem of climate change, countries around the world, including Japan, adopted the “Paris Agreement” in 2015, with the goal of keeping the global temperature rise well below 2° C above pre-industrial levels. In addition, we aim to limit the temperature rise to within 1.5° C as much as possible. Under the Paris Agreement, the Japanese government aims to reduce GHG emissions by 46% compared to FY2013 levels by FY2030, and to reach zero overall emissions by 2050.

■ Environment surrounding food companies – impact on raw material procurement, reduction of GHG emissions under pressure from business partners

- Climate change is having various impacts on the business activities of food companies. As a result, the productivity and quality of agricultural products that serve as raw materials have already declined, direct damage from weather disasters, and supply chain disruptions have already occurred.
- It has also been pointed out that the impact will become even more serious as climate change progresses in the future. For example, global corn, soybean, rice and wheat yields could decline by 2.3%, 3.3%, 0.7% and 1.3% respectively per decade[1]. In addition, the land area suitable for growing coffee beans may be halved by 2050[2]. In Japan, it is predicted that the yield of agricultural products will decrease, the growth rate of livestock will decline, the number of insect pests will increase and their habitats will expand, the damage caused by diseases will increase, the distribution area of fishery resources will shift, and the distribution density of fisheries resources will decrease [3].
- Under these circumstances, large food companies are increasingly working to significantly reduce GHG emissions throughout the value chain. Some leading companies have set a goal of “net zero” by 2050. In order to achieve these goals, small and medium-sized companies, which are their suppliers, are also required to significantly reduce their GHG emissions.
- Reassessing company's energy usage and reducing GHG emissions by saving energy and switching to renewable energy will lead to reductions in energy costs and control energy cost. In addition, by meeting the expectations of business partners who seek to reduce GHG emissions, it is expected that it will lead to increased trust in the company, stronger relationships with business partners, ensuring continuity of business transactions, and acquiring new business opportunities.

[1] "Sixth Assessment Report 2nd Working Group Report" (IPCC 2022)

[2] "Multiclass Classification of Agro-Ecological Zones for Arabica Coffee: An Improved Understanding of the Impacts of Climate Change" (Bunn et al 2015)

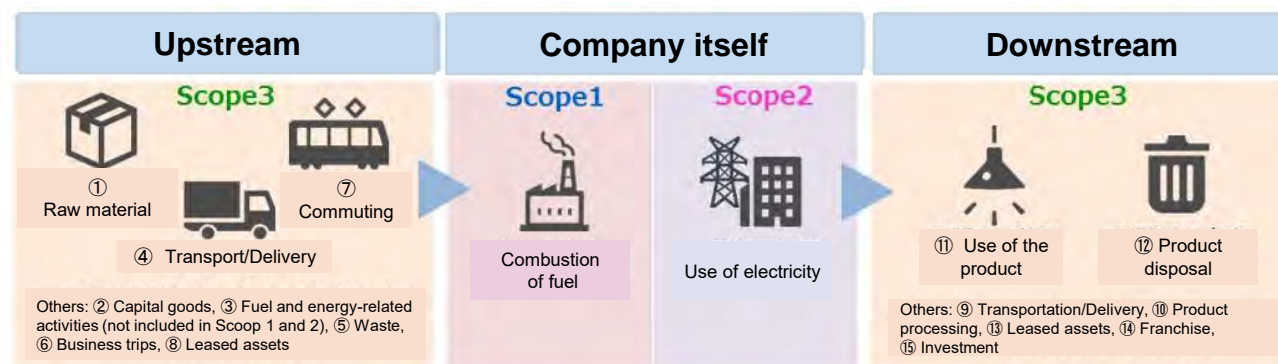
[3] "Assessment Report on Climate Change Impacts in Japan" (MOE 2020)

Climate change: What direction we will take (①Setting goals)

■ Target items (example)

Reduction of GHG emissions

- It is recommended to set a target to reduce GHG emissions when promoting efforts to address the issue of climate change.
- GHG emissions in companies are classified into three types, Scope 1 to 3, depending on the emission source, as shown in the figure below. First, companies are expected to set targets for Scope 1 and Scope 2, which are directly related to their company. Target setting for Scope 3 is more difficult than for Scope 1 and Scope 2, but food companies generally have a large amount of Scope 3 emissions (especially emissions from purchased raw materials) [1]. Therefore, companies are expected to gradually identify and reduce Scope 3 emissions.
- It is also effective to set sub-goals to reduce energy consumption (energy conservation) and increase the proportion of renewable energy (renewable energy) in energy consumption as a means to reduce GHG emissions.



* Numbers represent Scope 3 categories.

Scope 1: Direct emissions of greenhouse gases by business operators themselves (fuel combustion, industrial processes)

Scope 2: Indirect emissions of greenhouse gases associated with the use of electricity, heat and steam supplied by other companies

Scope 3: Indirect emissions of greenhouse gases other than Scope 1 or Scope 2 (emissions of other companies related to our own activities)

(Source) Reprinted from "Overview of Supply Chain Emissions" (MOE Green Value Chain Platform (MOE 2022))

[1] There is data that Scope 3 emissions account for about 87% of the total GHG emissions by food companies, and emissions derived from raw materials procured in particular account for 67% of the total. ("CDP Technical Note: Relevance of Scope 3 Categories by Sector" (CDP 2022))

Climate change: What direction we will take (②Setting goals)

■ Concept of target level

- The Japanese government has set a goal of reducing GHG emissions by 46% compared to FY2013 levels by FY2030, and achieving zero overall emissions by 2050 (GHG emissions in FY2020 will be reduced by 18.4% compared to FY2013 levels). Food companies are also encouraged to set voluntary targets from a medium-term perspective toward 2030, while keeping government targets in mind.
- In addition to Scope 1 and Scope 2, leading food companies will set reduction targets that include Scope 3 (including emissions at suppliers), in line with the levels aimed at by the Paris Agreement. If you do business with such a company, you will eventually be required to make efforts to reduce GHG emissions and set targets. Therefore, it is important to proceed with initiatives keeping in mind the goals set by business partners.
- Of the sub-targets, regarding the level of increase in the share of renewable energy, Private sector initiatives such as "RE 100" and "Renewable Energy 100 Declaration RE Action" call for setting a target of 100% renewable energy by 2050 at the latest.

Examples of reduction targets for Scope 3 emissions (sources, etc.) at large companies

- Asahi Group Holdings: Reduce total emissions by 30% in 2030 compared to 2015, 100% reduction by 2050
- Ajinomoto: Reduce emissions per ton of production by 24% in 2030 compared to 2018
- Aeon: Call for suppliers (equivalent to 80% of emissions from purchased products and services) set SBT targets
- Kagome: Reduce total emissions by 13% in 2030 compared to 2020
- Kirin Holdings: Reduce total emissions by 30% in 2030 compared to 2019, and reduce total Scope 1, 2, and 3 emissions by 90% in 2050 compared to 2019
- Suntory Beverage & Food: Reduce Scope 1, 2, and 3 total emissions by 30% in 2030 compared to 2019
- Suntory Holdings: Reduce Scope 1, 2, and 3 total emissions by 30% in 2030 compared to 2019
- Nissin Foods Holdings: Reduce total emissions by 15% in 2030 compared to 2018
- Fuji Oil Group Inc.: Reduce absolute scope 3 category1 emissions 18% by 2030, using a 2016 base year
- Meiji Holdings: Reduce total CO2 emissions in the value chain by fiscal 2030 compared to fiscal 2019 (Category 1: Purchased raw materials and packaging materials, Category 4 and 9: Upstream and downstream transportation and delivery, Category 12: Disposal of sold products) by 30% or more on a consolidated basis for the Meiji Group
- Lotte: Reduce total emissions from fuel and energy activities by 23% in 2028 compared to 2019 (Other than Scope 1 and Scope 2 emissions) and call for suppliers set SBT targets by 2027 (equivalent to 80% of emissions from purchased products/services, capital goods, transportation/distribution (upstream))

Reference: SBT setting levels

Regular SBT	Scope 1 and 2 emissions →Reduction of 4.2% or more per year
	Scope 3 emissions →2.5% or more reduction per year
Small business SBT (less than 500 employees, non-subsidiary, independent company)	Scope 1 and 2 emissions → At least 4.2% reduction per year
	Scope 3 emissions →Calculate and reduce (No specific reference value)

(Source) Created based on "About SBT (Science Based Targets)"
(MOE/Mizuho Research & Technologies 2023)

Climate change: How we will tackle them (Method of action①)

■ Understand the current status of GHG emissions (Scope 1, Scope 2)

- To work on reducing GHG emissions, it is first necessary to calculate the company's GHG emissions and understand the current situation. In the process of calculation, it is possible to grasp which business processes and business sites have the largest amount of emission, which can be used to formulate plans for GHG emission reduction measures.
 - Energy-derived carbon dioxide (CO₂) emissions, which account for the majority of corporate GHG emissions, can be calculated by multiplying the consumption of fuel, electricity, heat, etc. (mass of activity) by the emissions intensity (CO₂ emissions per unit of consumption).
 - Activity data such as annual consumption (kl/year) of heavy oil A and city gas used in factory equipment, gasoline used in on-site vehicles, etc., and annual consumption of purchased electricity (kWh/year) are collected from delivery slips and records such as the amount purchased and used.
 - Emissions intensity uses figures from the database published by the Ministry of the Environment. Specifically, under the Calculation, Reporting and Disclosure System based on the Law Concerning the Promotion of the Measures to cope with Global Warming (abbreviation: Global Warming Countermeasures Law), emission factors by fuel type (tCO₂/kl, etc.), a list of national average emission factors per electric utility (tCO₂/kWh) is published.
- ⇒ MOE website "Calculation method/Emission factor list" (<https://ghg-santeikohyo.env.go.jp/calc>)
- In addition, the Japan Chamber of Commerce and Industry provides a "CO₂ check sheet" free of charge as a tool for easily calculating the company's GHG emissions. Specifically, companies can automatically calculate CO₂ emissions based on the emission factors published by the Ministry of the Environment by entering and accumulating monthly usage charges and charges for each energy type, such as electricity, kerosene, and city gas, in an Excel sheet.
- ⇒ "CO₂ check sheet" (Japan Chamber of Commerce and Industry) (<https://eco.icci.or.jp/checksheet>)

GHG Emissions Calculation Method (Scope 1, Scope 2)



Climate change: How we will tackle them (Method of action②)

■ Understand the current status of GHG emissions (Scope 3)

- Food companies generally emit more Scope 3 emissions (especially emissions derived from purchased raw materials, etc.) than Scope 1 and Scope 2 emissions. As a first step toward reduction, they are working on calculating Scope 3 emissions.
- Scope 3 emissions are not subject to the Accounting, Reporting and Disclosure System (Based on the Global Warming Countermeasures Act), so calculations must be made in accordance with the GHG Protocol's Scope 3 Accounting and Reporting Standards*. MOE and METI have published guidelines and databases to help Japanese companies calculate their Scope 3 emissions in line with the GHG Protocol standards.

⇒ “Green Value Chain Platform” (MOE/METI)
(https://www.env.go.jp/earth/ondanka/supply_chain/gvc/index.html)

- Scope 3 emissions are divided into the following 15 categories: The basic concept of calculating by multiplying the amount of activity by the emissions intensity is the same for all categories, but the volume of both activity data and emissions intensity increases, making it more difficult to obtain. Therefore, it is not easy to calculate Scope 3 emissions even for large companies, but it is expected that the calculation will proceed step by step.

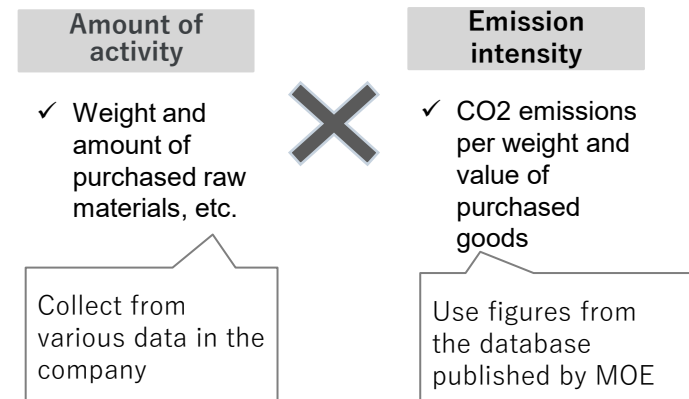
【Scope 3 categories (15 types)】

① Purchased products and services, ② Capital goods (expansion of production facilities), ③ Fuel and energy activities not included in Scope 1 and 2 (upstream processes of procured fuel and electricity), ④ Transport and delivery (upstream), ⑤ Waste generated from business, ⑥ Business trips, ⑦ Employee commuting, ⑧ Leased assets (upstream), ⑨ Transportation and delivery (downstream), ⑩ Processing of sold products, ⑪ Use of sold products, ⑫ Sold products disposal, ⑬ leased assets (downstream), ⑭ franchise, ⑮ investment

Column: What is the GHG Protocol

- ✓ The GHG Protocol is an international standard that defines procedures for calculating and reporting greenhouse gas emissions. The standards were developed mainly by WRI (World Resources Institute), an environmental think tank in the United States, and WBCSD (World Business Council for Sustainable Development).
- ✓ Various private sector initiatives related to climate change are required to calculate and report GHG emissions in accordance with the GHG Protocol. For this reason, many large food companies follow the GHG Protocol to calculate and report their GHG emissions.

Calculation method for GHG emissions (Scope 3 Category 1 example)



* Scope 1 and Scope 2 emissions can also be calculated in accordance with the GHG Protocol standards. In that case, the emissions calculated by this method will differ from those based on the calculation, reporting, and publication system, such as the scope of companies to be reported and the method of using the emission factor per power consumption.

Climate change: How we will tackle them (Method of action)

■ Reduce GHG emissions (Scope 1, Scope 2)

- Reduction of energy consumption (energy saving) and increase in the proportion of renewable energy (renewable energy)
 - First of all, it is important to promote energy saving by improving the operation of existing equipment and processes and introducing more efficient equipment. Energy saving through operational improvements can generally be tackled with almost no additional costs, but the GHG emission reduction effect is not very large. On the other hand, although the introduction of more efficient equipment has a large initial cost burden, the GHG emission reduction effect is relatively large, and the initial cost can be offset by utilizing subsidies and reducing energy costs over the medium to long term, maybe.
 - If the GHG emission reduction target cannot be achieved by energy saving alone, it will be necessary to switch the company's power consumption to renewable energy. Switching to a power plan derived from renewable energy may cost about the same as before the switch, or may reduce costs due to soaring fossil fuel prices. In recent years, as a mechanism for procuring renewable energy power without initial investment, companies rent out the roofs and idle land of their own facilities to power generation companies to install power generation equipment, and purchase the power generated there. This mechanism is called a PPA (Power Purchase Agreement) [1].

Target item	Action (example)		Initial cost	Emission reduction effect
Energy saving	Operational improvement	<ul style="list-style-type: none"> ✓ Conversion to LED lighting ✓ Optimal control of power consumption during equipment operation, such as temperature control of freezing and refrigeration equipment, using sensors 	Small	Small~Middle
	Equipment introduction	<ul style="list-style-type: none"> ✓ Introduction of high-efficiency boilers ✓ Convert manufacturing equipment to top-runner equipment with excellent energy-saving performance ✓ Introduction of cogeneration (heat and power combined supply) system ✓ Converting a fossil fuel boiler used to heat wastewater to a heat pump ✓ Gradually convert refrigeration equipment that uses specified CFCs to equipment that uses natural refrigerants or alternative CFCs 	Middle~Large (May be reduced with subsidies)	Middle~Large
Increase in renewable energy ratio	External procurement	<ul style="list-style-type: none"> ✓ Purchasing electricity derived from renewable energy sources from retail electricity suppliers ✓ A third party installs solar panels on the premises of the company and purchases the generated power (on-site PPA) 	Small~Middle	Large
	In-house production	<ul style="list-style-type: none"> ✓ Solar panels are installed on the roofs of the company's factories and stores, as well as on idle land, and the generated electricity is used for internal consumption. ✓ Food waste generated at factories is fermented with ethanol and methane and used as fuel for power generation and biomass boilers 	Large	Large

(Source) Created based on "ESG-related food-related company study group" (MAFF 2022) and information disclosed by food companies.

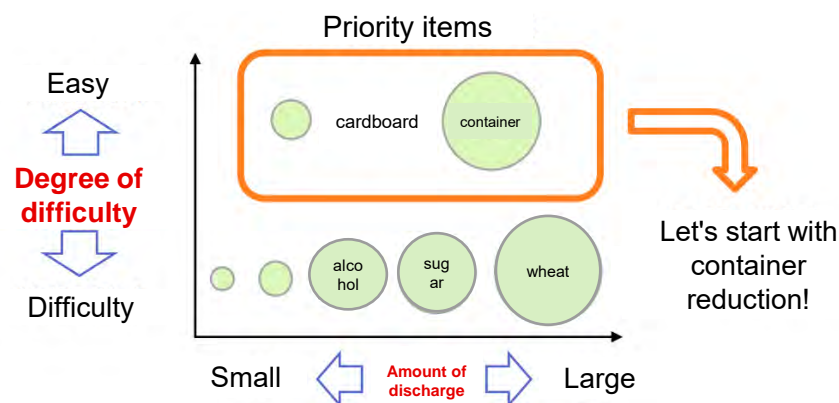
(Note) The "initial cost" and "emissions reduction effect" in the table show relative market prices for reference, and the actual cost and emission reduction effect will vary depending on the situation.

Climate change: How we will tackle them (Method of action④)

■ Reduce GHG emissions (Scope 3)

- Emission reductions in the value chain
 - Within Scope 3, GHG emissions derived from raw materials purchased by food companies, which account for a large proportion, cannot be directly managed by the company itself, making it difficult for even large companies to reduce them. Therefore, it is effective to analyze from the two perspectives of the scale of emissions and the ease with which a company can take action, and then determine the items to be addressed in advance.
 - Food companies are also expected to reduce GHG emissions at the production stage of agricultural, livestock and fishery products, which are raw materials, in stages over the long term, by cooperating with raw material producers and preferentially procuring raw materials with lower emissions. MAFF has developed a tool that allows farmers to easily calculate GHG emissions during the production stage of agricultural products, which can also be used by food companies to calculate GHG emissions of raw materials procured. In addition, MAFF is conducting a demonstration experiment to label agricultural products that have worked to reduce GHG emissions with grade labels. Companies can make efforts to reduce GHG emissions by preferentially procuring and selling agricultural products such as those mentioned above[1].
 - Advanced large companies are working with farmers who are raw material suppliers and working with packaging material suppliers to reduce the weight and thickness of packaging materials and improve logistics.

Prioritizing measures to reduce Scope 3 emissions (Image)



(Source) Reprinted from "Towards calculation and reduction of supply chain emissions" (MOE, Mizuho Research & Technologies)

Action (example)

Procurement of raw materials	<ul style="list-style-type: none"> ✓ By composting food waste generated in the manufacturing process and supplying it to farmers, we are able to (1) reduce CO2 emissions associated with the disposal and incineration of food waste, and (2) reduce the amount of chemical fertilizer used by farmers to reduce CO2 emissions associated with manufacturing and transportation of fertilizer ✓ Reduce CO2 emissions by improving standards when procuring raw materials from farmers and curbing agricultural product waste at the production stage ✓ Converting raw materials for products to those with lower CO2 emissions at the raw material production stage
Procurement of materials	<ul style="list-style-type: none"> ✓ Lighter and thinner packaging materials (In addition to reducing the amount of material input, it also contributes to the efficiency of product transportation)
Improved logistics	<ul style="list-style-type: none"> ✓ Collaborate with other food companies to work on joint product transportation and streamline product transportation (reduce empty truck space) ✓ Converting product transportation to a modal shift (switching from automobile transportation such as trucks to railway and ship transportation with less environmental impact)

(Source) Created based on "ESG-related food-related company study group" (MAFF 2022), information disclosed by food companies, etc.

Reference: Adaptation to climate change

■ What is adaptation to climate change

- The global average temperature has already risen by about 1° C compared to pre-industrial times, and the impacts of the decline in productivity and quality of agricultural products that are supplied as raw materials, direct damage from weather disasters, disruption of supply chains, etc., is occurring. Even if the international goals of the Paris Agreement are achieved, the average global temperature will rise further than at present, and the impact of climate change is expected to be greater than it is today.
- In light of the above, in addition to reducing GHG emissions, it is important to appropriately prepare for the impacts of future climate change and to promote "adaptation" to avoid or mitigate the impacts. In order to ensure business continuity, food companies should prepare for weather disasters at their factories, etc., and also recognize the impact of climate change on the production areas of raw materials and avoid or mitigate it as much as possible. Considering the impact of climate change as a business opportunity, Efforts to develop new businesses and products are also one of the "adaptation" initiatives.

■ How to Adapt to Climate Change

- It is important to properly understand the current and future impacts of climate change, and to start strategically avoiding and mitigating them as early as possible. Although it is impossible to accurately predict all climate change and its impacts, and projection information is not provided for all impacts, It is necessary to proceed step by step with reference to information published by public institutions. The MOE and private companies have published a guide for promoting adaptation to climate change, which can be used as a reference.

⇒ "Climate Change Adaptation Guide for Private Companies -Preparing for and Surviving Climate Risks-" (MOE)

(https://adaptation-platform.nies.go.jp/private_sector/guide/index.html)

Action (example)	
Avoiding and mitigating risks	<ul style="list-style-type: none"> ✓ Reinforcement of disaster prevention equipment: Based on the results of a detailed assessment of the possibility of inland water flooding, the maximum rainfall was set higher than before, and the discharge pump capacity of the factory was strengthened ✓ Support for raw material producers: Supporting raw material producers to adapt to the impacts of climate change through selection of disease-resistant varieties that match local conditions, financial assistance in the event of natural disasters, and assistance with training costs for obtaining third-party certification
Seize the opportunity	<ul style="list-style-type: none"> ✓ Sales of heatstroke prevention products: Development and sales of products that meet the needs of quenching thirst and heatstroke prevention ✓ Addressing new health issues: Global climate change is expected to bring about health problems such as infectious diseases in countries and regions that have never occurred before. Develop and sell products that meet needs such as immune improvement, high nutrition and high protein

Respect for human rights : Why we will tackle this issues

■ What is the problem of respect for human right

- Human rights are defined as "rights that are indispensable for all people who make up society to secure their individual existence and freedom and to lead a happy life in society"[1]. It is a right that a person is born with.
- Traditionally, respect for human rights has been viewed as a matter for the state to deal with. However, as the value chain expands around the world due to the globalization of corporate activities, the negative impact of corporate activities on human rights (human rights violations) has become apparent and there is growing concern.
- Considering this situation, in 2011, the United Nations Human Rights Council established the Guiding Principles on Business and Human Rights, one of the pillars of which is the corporate responsibility to respect human rights. In October 2020, the Japanese government also announced the "Business and Human Rights Action Plan (2020-2025)", and in September 2022, the "Guidelines on Respecting Human Rights in Responsible Supply Chains" . We are working to deepen understanding and promote efforts toward respecting human rights by Japanese companies.

⇒ "Guidelines on Respecting Human Rights in Responsible Supply Chains" (<https://www.meti.go.jp/press/2022/09/20220913003/20220913003-a.pdf>)

■ Environment surrounding food companies — Respect the human rights of employees of each company and subcontractors, and respect the human rights of workers of suppliers, efforts to condition respect for human rights in transactions

- There are two major perspectives on the issue of respect for human rights in food companies. The first is respect for the human rights of employees in our company, group companies, and subcontractors for manufacturing and logistics. For example, there are concerns about work environments with insufficient health and safety, power harassment, sexual harassment, and discrimination against non-regular workers and foreign workers in company rules and systems.
- Another perspective is respect for the human rights of workers at raw material suppliers. In particular, there are cases where child labor and forced labor occur in overseas raw material production areas, and there are concerns that procuring raw materials from such suppliers may indirectly contribute to human rights violations.
- Under these circumstances, large food companies are confirming the status of their suppliers' efforts to respect human rights through questionnaire surveys and on-site audits. In addition, there is an increasing trend to require suppliers to comply with their own policies on respect for human rights when starting or continuing transactions. Overseas, there have been cases of temporary suspension of transactions and changes in suppliers when compliance with the policy was insufficient, or when child labor or forced labor was discovered. In addition, some large domestic food companies have explicitly recommended that they terminate transactions.

Respect for human rights : What direction we will take (①Setting goals)

■ Target items (example)

Build and maintain a system to fulfill our responsibility to respect human rights

- Businesses, regardless of size or industry, have a responsibility to avoid human rights abuses and address negative impact of human rights in which they are involved.
- To fulfill this responsibility, companies are required to take the following three actions. (1) formulation of human rights policy, (2) implementation of human rights due diligence, and (3) implementation of remedial measures.
- There are examples of large companies, etc. setting goals as shown in the table below and working to build and maintain internal systems.

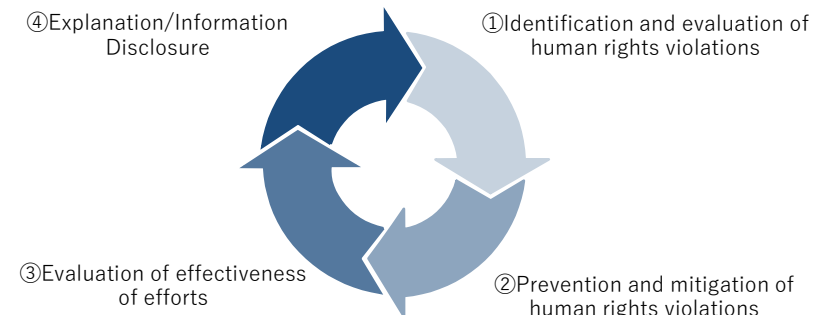
Examples of target items related to respect for human rights

Company itself, Group companies, etc.	Suppliers
<ul style="list-style-type: none"> ✓ Number of times, number of participants, and participation rate of education and training for executives and employees ✓ Number of times human rights risk assessments have been conducted 	<ul style="list-style-type: none"> ✓ Regarding the survey on the status of efforts to respect human rights, number of surveys conducted, number of companies surveyed, percentage of surveyed suppliers ✓ Number of suppliers to which the working environment improvement program has been applied ✓ Switch to raw materials that respect human rights

(Source) Created based on information disclosed by food companies.

Column: What is human rights due diligence

- ✓ Human rights due diligence is a series of actions taken by companies to prevent and mitigate human rights violations.
- ✓ Specifically, it consists of four processes as shown in the figure below. (1) Identification and evaluation of human rights violations (in our company, group companies, suppliers, etc., we identify and evaluate not only actual human rights violations but also human rights violations that may occur), (2) Identified human rights violations efforts to prevent and mitigate human rights violations, (3) Evaluate the effectiveness of measures taken to prevent and mitigate human rights violations, (4) Explain and disclose information on how to prevent and mitigate human rights violations.
- ✓ Human rights DD does not guarantee the absence of human rights violations. It is important to strive to prevent and mitigate human rights violations by continuously implementing human rights DD.



(Source) Created with reference to "OECD Due Diligence Guidance for Responsible Business Conduct" (OECD 2018)

■ Concept of target level

- In any company, there is always the possibility that human rights violations will occur, and it is difficult to eliminate all cases even if efforts are made to respect human rights. For this reason, while premised on the possibility of human rights violations, it is important to establish and maintain a system for identifying, preventing and mitigating human rights violations, and explaining their efforts, rather than just seeking the result that "there are no human rights violations."

Respect for human rights : How we will tackle them (Method of action①)

■ Develop a human rights policy

- A human rights policy demonstrates to internal and external parties that a company is committed to respecting human rights. The government's guidelines list the following five requirements that human rights policies should meet.
- When formulating a policy, in addition to gathering internal knowledge, it is necessary to hold dialogues and discussions with stakeholders (labor unions, worker representatives, NGOs, industry groups, etc.) who are familiar with the industry, the raw materials to be procured, and the circumstances of the country of procurement. Through this, it is necessary to understand the human rights that the company may affect others.
- After formulating a policy, it is important to disseminate it throughout the company through training, etc., and to put the content of the policy into concrete practice in corporate activities, such as reflecting it in action guidelines and procurement guidelines.

Human rights policy requirements

- ① Approved by management including the top of the company.
- ② Created with reference to professional information and knowledge from inside and outside the company.
- ③ Specify the company's expectations of respect for human rights for employees, business partners and other parties directly involved in the company's operations, products or services.
- ④ Be open to the public and made known to all employees, business partners and other parties concerned.
- ⑤ In order to establish a human rights policy throughout the company, Human rights policies are reflected in business policies and procedures.

(Source) "Guidelines for Respecting Human Rights in Responsible Supply Chains" (Relevant Ministries and Agencies Policy Promotion and Liaison Conference Concerning the Implementation of Action Plans on Business and Human Rights 2022)

Column: Formulation of a human rights policy (example of a large company)

Human rights policy items

1. Basic approach to human rights
2. Scope of application
3. System for promoting respect for human rights
4. Conducting human rights due diligence
5. Establishment of grievance mechanism and remedial measures
6. Dialogue and consultation with stakeholders
7. Education and dissemination activities
8. Monitoring and information disclosure
9. Priority initiatives

The Seven & i Group has formulated a human rights policy in order to understand the human rights of all people and to fulfill our responsibility to respect human rights.

Understand respect for human rights as a minimum international principle and standard to be observed, describe what you support as a company.

The scope of application of the company's human rights policy is described as 1) Seven & i Group officers and employees, and 2) Seven & i Group business partners.

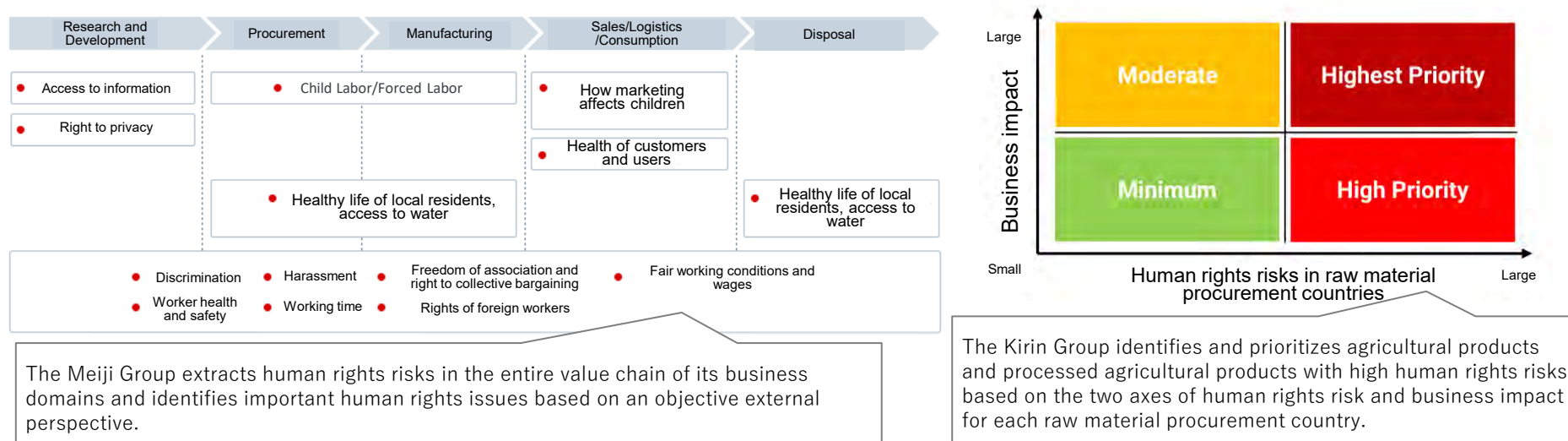
The following describes the content to be focused on. (1) Prohibition of inhumane treatment, (2) Prohibition of forced labor, (3) Prohibition of child labor, (4) Prohibition of discrimination, (5) Providing a safe, hygienic and healthy working environment, (6) Appropriate management of working hours, (7) Ensuring appropriate wages, (8) Respect for children's rights, and (9) Provision of safe products and services and ethical marketing and advertising activities.

Respect for human rights : How we will tackle them (Method of action②)

■ Conduct human rights due diligence

- Human rights due diligence consists of (1) identification and evaluation of negative impacts on human rights (human rights violations), (2) prevention and mitigation of negative impacts, (3) evaluation of the effectiveness of initiatives, and (4) explanation and information disclosure processes. Implementing human rights due diligence across the entire value chain is not easy, even for large companies, and many companies are going through trial and error. However, by starting initiatives now, companies can prevent and mitigate human rights violations and gain greater trust from their employees, major business partners, suppliers, consumers, and others.
- First process: identification and evaluation of negative impacts
 - Identify business areas and processes that are likely to have a negative impact on human rights and evaluate the relationship between the negative impact and your company (Whether the company caused or contributed to the negative impact, and whether the negative impact is directly related to the company's business, products, or services).
 - Food companies may generally have negative impacts on human rights as shown on the next page throughout the entire value chain. In addition, some raw materials imported from overseas are said to have a negative impact on human rights, depending on the item and country of origin.
 - If it is not possible to immediately respond to all of the identified and assessed negative impacts on human rights, the company will prioritize responses while considering the following points. (1) Scale of negative impact (nature of infringement, etc.), (2) Scope (number of people negatively impacted, etc.), and (3) Difficulty of remedy.

Column: Identifying and assessing human rights violations (examples of large companies)



Reference: Negative human rights impacts that may occur in the food industry (examples)

Type of negative impact	Concrete example
Worker health and safety	<ul style="list-style-type: none"> ✓ Take no action against the possibility of falling, or injury during work, or deterioration of sanitary conditions due to insufficient ventilation, etc. ✓ Employees are unable to undergo regular health checkups, and employees do not take measures to prevent infection with new coronavirus infections, etc. ✓ Knowing that the working environment of a business partner is poor, continue to do business without requesting improvement
Payment of wages	<ul style="list-style-type: none"> ✓ Pay less than the minimum wage in the area where you operate ✓ Non-payment of overtime pay, non-payment of extra wages for late-night overtime, delay in requesting payment of wages for retirees ✓ Determining wages without taking into account the prices in the areas where workers and their families live, and without taking into account the average cost of living for their families
Worker discrimination	<ul style="list-style-type: none"> ✓ In hiring, promotion, or retirement, discriminating or giving disadvantage without reasonable reasons such as work ability or attendance status ✓ Company regulations, systems, and welfare programs are not applicable due to specific sexual orientation, employment conditions, etc. ✓ Forcing a transfer that the person does not want on the grounds that he or she has contracted an illness. ✓ Discriminatory treatment of wages, working hours and other working conditions of foreign workers
Freedom of association and the right to collective bargaining	<ul style="list-style-type: none"> ✓ Offer non-membership as a condition of employment, suggest withdrawal from the union ✓ Collective bargaining of trade unions is not carried out, or does not bargain substantially in good faith ✓ Do not allow foreign workers to join trade unions
Child labor/Forced labor	<ul style="list-style-type: none"> ✓ Employing children under the age of 15 without verifying the details of their age verification documents ✓ Children under the age of 15 are employed at overseas factories of business partners or farms from which raw materials are procured ✓ Confiscating passports and residence cards of foreign technical intern trainees and foreign workers, depriving them of freedom of movement, and forcing them to engage in work ✓ Recruitment agencies charge exorbitant referral fees to workers, forcing them to work to pay off their debts. ✓ Local residents are forced to work at a client's overseas factory
Landowner rights	<ul style="list-style-type: none"> ✓ Business activities pollute water resources, making it difficult for local residents to obtain clean drinking water ✓ The safety and security of the lives of local residents are undermined due to waste dumping, lack of sunlight due to buildings, and nighttime lighting at stores ✓ Acquiring land that has traditional significance for residents without due consultation with the residents and conducting business activities there

Reference: Main raw materials with concerns about child labor and forced labor and their producing countries (examples)

- The US government report lists the items in the table below regarding raw materials and their producing countries where child labor and forced labor have been confirmed. When a company handles these overseas raw materials, it is necessary to pay particular attention to such things as confirming with raw material suppliers that human rights violations such as child labor and forced labor do not occur in raw material production areas.

Raw materials	Production countries where child labor is pointed out	Producing countries where forced labor is pointed out
Palm oil	<Asia> Indonesia, Malaysia <Africa> Sierra Leone	<Asia> Indonesia, Malaysia
Sugar cane	<Asia> India, Cambodia, Philippines, Vietnam, Myanmar <Africa> Uganda, Kenya, Zimbabwe <Central and South America> El Salvador, Guatemala, Colombia, Dominican Republic, Paraguay, Brazil, Belize, Bolivia, Mexico	<Asia> Pakistan <Central and South America> Dominican Republic, Brazil, Bolivia
Coffee beans	<Asia> Vietnam <Africa> Uganda, Guinea, Kenya, Sierra Leone, Tanzania, Nigeria <Central and South America> El Salvador, Guatemala, Costa Rica, Colombia, Dominican Republic, Nicaragua, Panama, Brazil, Honduras, Mexico	<Africa> Côte d'Ivoire, Nigeria <Central and South America> Brazil
Fish/Shrimp	<Asia> Indonesia, Philippines <Middle East> Yemen <Africa> Uganda, Ghana, Kenya	<Asia> Indonesia, Cambodia, Thailand, Taiwan, China, Bangladesh, Vietnam, Myanmar <Africa> Ghana <Central and South America> Paraguay, Brazil, Peru, Honduras
Cacao	<Asia> Vietnam <Africa> Ghana, Cameroon, Guinea, Côte d'Ivoire, Sierra Leone, Nigeria <Central and South America> Brazil	<Africa> Côte d'Ivoire, Nigeria

(Source) Created based on "List of Goods Produced by Child Labor or Forced Labor" (U.S. Department of Labor, 2022)

Respect for human rights : How we will tackle them (Method of action③)

■ Conduct human rights due diligence

- Second process: prevention and mitigation of negative impacts
 - If our company causes or contributes to a negative impact on human rights, we will definitely stop such activities and prevent such activities so that similar impacts will not occur in the future. If it is not possible to stop the activity immediately due to contractual or legal reasons, we will create a road map for stopping the activity and stop the activity in stages.
 - If the company, group companies, subcontractors, etc., are identified as having long working hours, unsafe and unhealthy working environments, discriminatory internal rules/systems, personnel evaluations, against non-regular workers or foreign workers, etc. It is necessary to promptly respond to improvements and improve the internal environment and systems.
 - It is also important to prevent human rights violations due to lack of knowledge and understanding by implementing human rights education and training programs. If it is difficult to conduct training in-house, one method is to invite an external lecturer or participate in training sessions and lectures held by administrative agencies such as the Legal Affairs Bureau and the District Legal Affairs Bureau.
 - If there is a negative impact on human rights at a supplier or raw material production site, etc., even though it is not caused or promoted by the company, We will strive to prevent and mitigate negative impacts by requesting or supporting improvements in efforts by companies that are causing or contributing to negative impacts.
 - It is not easy to prevent or mitigate human rights violations at suppliers and raw material production areas, but it is expected that efforts will be made step by step in cooperation with raw material suppliers and raw material producers. Even medium-sized companies are starting to take specific measures to prevent and mitigate human rights violations in overseas raw material production areas.

Column: Efforts to prevent and mitigate negative impacts (Case study of medium-sized companies)

- ✓ Yuraku Confectionery Co., Ltd. will switch the cacao raw material used in its main chocolate confectionery to "Smile Cacao", which will lead to the elimination of child labor, within 2022. In addition, we have set and announced a goal to switch all cacao raw materials used by the company to "Smile Cacao" by 2025.
- ✓ In order to achieve this goal, the company is engaged in dialogue and consultation with existing raw material manufacturers, switching cacao raw material suppliers, and cooperating with international NGOs to support cacao farmers.

Respect for human rights : How we will tackle them (Method of action④)

■ Conduct human rights due diligence (Continued from previous page)

- Third process: evaluation of the effectiveness of initiatives
 - Collect Information from in-house data (such as information obtained through the grievance mechanism described later), interviews, questionnaires, on-site visits, third-party surveys, etc. of those who have been negatively affected or may be negatively affected. and evaluate the effectiveness of the efforts (percentage of stakeholders who feel that negative impacts have been properly dealt with, recurrence rate of negative impacts, etc.).
- Fourth process: explanation and information disclosure
 - Information on measures to establish the human rights policy throughout the company, identified negative impacts, criteria for prioritization, prevention and mitigation efforts, effectiveness evaluation, etc., will be posted on the website, etc.
 - Even if a human rights violation has occurred, disclosing this will contribute to the improvement of corporate value as a company with a desire to make improvements and a high degree of transparency. In addition, such efforts should be evaluated both inside and outside the company, and from this point of view, active disclosure is expected.

■ Implement remedies

- Remedy is the process of mitigating or restoring the effects of human rights violations that have occurred.
- If the company has caused or contributed to a negative human rights impact, we may offer an apology, restitution, financial or non-financial compensation, construction and declaration of recurrence prevention process, request to suppliers to prevent recurrence, etc., depending on the nature of the negative impact and the extent of the impact. In this way, we will implement appropriate remedies or cooperate in the implementation of remedies from the perspective of the negatively affected party.
- When implementing remedial measures, companies are expected to establish a "grievance mechanism" (hotline, etc.) to express concerns, file complaints, and receive requests for redress regarding negative impacts, or participate in grievance mechanisms such as industry groups established. Large companies have started to operate multilingual hotlines that can be used by foreign workers.
- In recent years, there has been a cross-industry movement to build a grievance platform that can be used by multiple companies in order to improve the effectiveness of the grievance mechanism. The Japan Business and Human Rights Dialogue and Relief Organization (JaCER (established in June 2022)) accepts all complaints regarding human rights cases involving member companies and supports complaint processing from a professional standpoint. Several large food companies are also members of the organization.

Food loss reduction, food waste recycling : Why we will tackle this issues

■ What is the problem of food loss and food waste

- While about 800 million people^[1] in the world face hunger, of the food produced, 14%^[2] of raw materials are wasted from harvesting to sales, and 17%^[3] are wasted at the consumption stage (household, retail, restaurant). In order to solve the food problem, it is essential to restrain the generation of food loss and food waste throughout the food system.
- Large amount of energy is consumed in the process of food production, of these, it is estimated that 8-10% of GHG emissions due to human activities are GHG emissions derived from the production, distribution, and disposal processes (discarded without being consumed) ^[4].The generation of food loss and food waste is also an important issue from the perspective of climate change.
- In Japan, 16.24 million tons of business-related food waste is generated annually, of which the food manufacturing industry accounts for 83%. In addition, food waste from edible parts is 2.75 million tons, of which the food manufacturing industry accounts for 44% (both estimates for FY2020)^[5].

■ Environment surrounding food companies - Implementation of initiatives under the Food Recycling Law and the Food Loss Reduction Promotion Law

- Based on the Food Recycling Law, businesses that generate more than 100 tons of food waste annually are obligated to report the amount of food waste generated. In addition, food-related businesses are recommended to limit the amount of food waste generated to below the "target value for restraining waste generation" set based on the law.
- In October 2019, the "Law Concerning Promotion of Reduction of Food Loss" (abbreviation: Food Loss Reduction Promotion Law) came into effect. This law aims to work on food loss reduction as a national movement in cooperation with various entities such as national and local governments, businesses, and consumers. In addition, in March 2020, the Cabinet approved the basic policy based on the Act on Promotion of Food Loss Reduction, which clarifies the roles and actions required of food-related businesses.
- Addressing food loss and food waste issues will lead to cost reductions such as waste disposal costs. In addition, if food waste can be recycled as energy or valuables, it can be expected to reduce energy costs and secure additional income.
- Based on the "10x20x30 Food Waste Reduction Initiative", among large food companies, 10 retailers, together with their 20 suppliers, have begun to work together to halve food waste by 2030 across the entire supply chain.

[1] "The State of Food Security and Nutrition in the World 2022" (FAO)

[2] "The State of Food and Agriculture 2019. Moving forward on food loss and waste reduction" (FAO 2019) [3] "Food Waste Index Report 2021" (UNEP)

[4] "Summary for Policymakers. In: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems" (IPCC 2019)

37 [5] "Situation Surrounding Food Loss and Recycling" (MAFF As of January 2023)

Food loss reduction, food waste recycling : What direction we will take (Setting goals)

■ Target items (example)

Reduce the amount of food loss and food waste generated (restrain generation), improve the recycling rate of food loss and food waste, etc.

- When starting to deal with food loss (food that is normally edible but is thrown away) and food waste, First of all, it is recommended to set a goal to reduce the amount of food loss and food waste generated (restraint of generation).
- In addition, when food loss or food waste generates, In order to make effective use of this, it is recommended to set a goal to improve the recycling rate of food loss and food waste.

■ Concept of target level

- In the Basic Policy of the Food Recycling Law (July 2019) and the Basic Policy of the Food Loss Reduction Promotion Law (March 2020), the Japanese government has set a goal of halving business-related food loss compared to FY 2000 by FY 2030 (2.73million tons per year) (The amount of business-related food loss in fiscal 2020 was 2.75million tons). This is a target value based on Target 12.3 of the United Nations Sustainable Development Goals (SDGs). Food companies are also encouraged to set voluntary targets toward 2030 to further reduce the generation of food loss and food waste, while keeping in mind the government targets.
- Based on the Food Recycling Law, target values (FY2019-FY2023) are set for each industry to reduce the generation of food waste. Food-related businesses are requested to make efforts to keep the amount of food waste, etc. generated per unit below this target value. In addition, even food-related businesses that do not have target values are required to make voluntary efforts to reduce their emission intensity.

⇒ Waste Reduction Targets by Industry: MAFF website "Efforts to Reduce Food Waste"
https://www.maff.go.jp/j/shokusan/recycle/syokuhin/hassei_yokusei.html

- Regarding the recycling of food waste, in the basic policy (July 2019) formulated based on the Food Recycling Law, we aim to improve the implementation rate of recycling food waste, etc. as follows by FY2024. (1) 95% in the food manufacturing industry, (2) 75% in the food wholesale industry, (3) 60% in the food retail industry, (4) 50% in the restaurant industry. Based on this target, food-related businesses are required to exceed the target value.

Food loss reduction, food waste recycling : How we will tackle them (Method of action)

■ How to reduce and recycle food loss and food waste

- Reduce food loss and food waste, etc.
 - Direct and indirect factors are intricately involved in the generation of food loss and food waste. It is important to understand the food loss and food waste generated by your own business activities, and to steadily proceed with what you can do by yourself and in cooperation with business partners.
- Recycle food loss and food waste, etc.
 - It is recommended that the recycling of food loss and food waste should proceed in the following order: conversion to feed, conversion to fertilizer, use in mushroom beds, and other recycling (use of energy through methanation, use as raw material for biomass plastic, etc.).

Target item	Action (example)	
Reduction	Cross-industry	<ul style="list-style-type: none"> ✓ Sophistication of demand forecast and promotion of appropriate orders (strengthening of communication between related parties, reduction of defective inventory based on past sales results and in-store sales performance, strengthening of made-to-order production and reservation sales, supply and demand using AI forecast, etc.) ✓ Provision to food banks, etc. ✓ Appeal to consumers
	Food manufacturing industry	<ul style="list-style-type: none"> ✓ Changed the expiration date display to the year and month display ✓ Improvement and streamlining of manufacturing methods (use of raw materials without waste, suppression of offcuts by changing the shape of raw materials used for processing, extension of expiration dates through the introduction of aseptic manufacturing machines and thorough hygiene quality control, etc.) ✓ Product development (development of products that can be stored for a long time, manufacture of products that can be stored frozen at home, etc.) ✓ Improvement of storage methods and containers (enhancement of container filling methods and light shielding, introduction of vacuum packaging, etc.)
	Food wholesale and food retail	<ul style="list-style-type: none"> ✓ Improvement of business practices (review of the delivery deadline “1/3 rule”, extension of the selling deadline until the expiration date, etc.) ✓ Sell-out efforts (utilization of EC sites and unmanned vending machines, discounts on expired products, awarding of points to purchasers of expired products, etc.) ✓ Sale of non-standard products (Outlet sales of non-standard products with no quality problems, etc.)
	Food-Service industry	<ul style="list-style-type: none"> ✓ Purchasing considering the weather and date ✓ Small portion menu, adjustment of amount according to consumer's request, encouragement to finish eating ✓ Take home leftover food
Recycling	Cross-industry	<ul style="list-style-type: none"> ✓ Outsource to a recycling company to make feed and compost, and provide them to agricultural corporations, etc. ✓ Methane fermentation of food waste generated in-house and use as fuel for boilers in the manufacturing process

Plastic-free, Recycling of containers and packaging : Why we will tackle this issues

■ What is the problem of plastic

- Plastic containers and packaging, which are widely used by food companies, not only play an important role in delivering quality products to business partners and consumers, but also these products help reduce food loss by increasing the shelf life of food. On the other hand, most of these plastic containers and packaging are disposable, and the large amount of plastic waste generated has become a problem.
- Plastics made from petroleum and other raw materials are difficult to decompose naturally, so if they are not properly disposed of or collected, they will remain in the natural environment and eventually flow into the sea, causing marine pollution. There are also concerns that fish continue to ingest fine plastic waste (microplastics) along with their food, which may eventually affect the health of humans who eat fish.
- Japan generates 8.24 million tons of waste plastic annually[1], and the amount of waste per person is the second largest in the world[2]. Until now, some of the plastic waste generated in Japan was exported overseas, but in recent years import restrictions have been expanded in China and other countries, making domestic resource recycling systems more important than ever. In addition, 5.73 million tons of waste plastic is used thermal recycling or incinerated[1]. Therefore, from the perspective of reducing GHG emissions, it is important to promote Plastic-free and the recycling of containers and packaging.

■ Environment Surrounding Food Companies - Implementation of initiatives under the "Container and Packaging Recycling Law" and "Plastic Resource Circulation Act"

- The Containers and Packaging Recycling Law stipulates the following. (1) All business operators have the responsibility to control the discharge of waste containers and packaging by rationalizing the use of containers and packaging, such as by using reusable containers and packaging and controlling excessive packaging. In addition, there is a duty to promote the recycling, etc. of items that meet the sorting standards, (2) Businesses that use, manufacture, or import containers and packaging, excluding small-scale businesses, are obliged to prepare and store records (retention period: 5 years) related to the use, manufacture, and import of containers and packaging, and there is an obligation to recycle waste containers and packaging mainly made of glass, PET, plastic, and paper that are discharged from households as garbage, (3) Responsible for streamlining the use of containers and packaging in the retail business.
- The Plastic Resource Circulation Act requires business operators to (1) sort out and recycle waste from products that use plastic, (2) streamline the use of products that use plastic, and (3) use recycled plastic materials and products. In addition, (1) Strive to design plastic-using products in accordance with the Design Guidelines for Plastic-using Products (Public Notice), (2) Streamline the use of specific plastic-using products (forks, etc.) for retailers and restaurants, etc., and (3) Businesses that generate industrial waste from products using plastic, excluding small-scale businesses, are required to reduce their emissions and recycle resources.
- While tackling the problem of plastics may incur costs associated with switching to new materials, etc., it is possible to reduce costs such as material costs and waste disposal costs through the reduction of excess containers and packaging and waste.

Plastic-free, Recycling of containers and packaging : What direction we will take (Setting goals)

■ Target items (example)

Reduction of plastic, recycling of plastic waste, expansion of use of recycled materials and bio-based ingredients

- Various goals can be set in promoting Plastic-free and recycling of containers and packaging.
- Our first priority is to reduce plastic consumption. It is recommended to set goals to reduce the amount of plastic used and to reduce the amount of plastic waste generated.
- The next priority is to recycle the plastic waste that has been generated. It is recommended to set a target to improve the reuse rate and recycling rate of plastic waste. It is also recommended to set goals to increase the amount and ratio of biodegradable and compostable containers and packaging.
- You can also aim to increase the amount and ratio of plastic containers and packaging made from recycled materials and bio-based ingredients. However, depending on the raw material, biomass plastics that use plants as raw materials may cause problems such as deforestation due to the expansion of agricultural land for the production of raw materials, so caution is required.

■ Concept of target level

- In the Plastic Resource Recycling Strategy (May 2019), the Japanese government aims to reduce plastic use, recycle plastic waste, and use recycled materials and bio-based ingredients toward 2030 as shown in the table below.
- In addition, under Plastic Resource Circulation Act (enforced in April 2022), businesses (excluding small businesses, etc.*) that generated 250 tons or more of industrial waste related to products using plastic in the previous fiscal year, are required to set targets for emission control and recycling, and to systematically implement measures to achieve the targets. It is also necessary for food companies to set voluntary targets from a medium-term perspective toward 2030, etc., while keeping in mind the government's targets.

Reduction of plastic	Recycling of plastic waste	Expansion of use of recycled materials and bio-based ingredients
<ul style="list-style-type: none"> ✓ Reduce cumulative one-way plastic (containers and packaging, etc.) emissions by 25% by 2030 	<ul style="list-style-type: none"> ✓ By 2025, make the design of plastic containers, packaging, and products technically easy to sort, reusable, and recyclable. ✓ Reuse/recycle 60% of plastic containers and packaging by 2030 ✓ Effective use of all used plastics through reuse and recycling by 2035 	<ul style="list-style-type: none"> ✓ By 2030, double the recycling of plastics (use of recycled materials). ✓ Approximately 2 million tons of biomass plastic will be introduced by 2030

Plastic-free, Recycling of containers and packaging : How we will tackle them (Method of action)

■ How to Plastic-free, recycling of containers and packaging

- Reduce plastic
 - Unless necessary for reasons of hygiene and preservation, It is important to reduce the amount of plastic used by controlling excessive packaging, reducing weight by improving the shape of packaging, switching to paper containers, and partially abolishing plastic containers and packaging.
- Recycle plastic waste
 - From the perspective of increasing recycled plastics throughout society, It is important to separate plastic waste and prioritize recycling as plastic as much as possible. After that, materials that are difficult to recycle are incinerated and used as electricity or heat.
- Expand the use of recycled materials and bio-based ingredients
 - At present, plastics that use recycled materials and bio-derived components are not widely distributed, and it is assumed that it will be difficult to obtain them at a low price. It is recommended to promote the expansion of use over the medium to long term through cooperation with recycling companies and material manufacturers.

Target item	Action (example)	
Reduction of plastic	Simplification or weight reduction of packaging	<ul style="list-style-type: none"> ✓ Reducing the amount of plastic used by improving the shape of containers and packaging. ✓ Thinner beverage PET bottles and smaller product labels.
	Elimination of plastic containers and packaging	<ul style="list-style-type: none"> ✓ Conversion from plastic containers to paper containers. ✓ For frozen noodle products, discontinued use of plastic trays and discontinued liquid soup packs. ✓ By improving the lid of the cup noodle container, the plastic lid stopper seal was abolished. ✓ Elimination of labels on beverage PET bottles sold in boxes. ✓ Introduced a new technology that directly prints the display content on the PET bottle, which was previously written on the sticker.
Recycling of plastic waste	Recycling as plastic	<ul style="list-style-type: none"> ✓ In collaboration with customers, local governments, logistics companies, recycling companies, material manufacturers, etc., built a system to process and reuse PET bottles collected at stores into recycled PET bottles. ✓ Recycled processing and reuse for clothing threads, cosmetic containers, transportation pallets, etc.
	Thermal recycling	<ul style="list-style-type: none"> ✓ Use of electricity generated from waste in the head office building.
Expansion of use of recycled materials and bio-based ingredients	<ul style="list-style-type: none"> ✓ Developed cup noodle containers with reduced petrochemical-based plastic materials and increased plant-based materials instead. 	
Others	<ul style="list-style-type: none"> ✓ In-house awareness-raising (formulation of policies related to the use of plastics, study sessions with external experts, etc.). ✓ Awareness raising of consumers (Affixing the eco-friendly material mark to products that use plant-based biomass raw materials). 	

Conservation of the natural environment and biodiversity : Why we will tackle this issues

■ What is the problem of natural environment and biodiversity

- Human activities, such as changes in land and sea use and direct extraction of biological resources, have reduced natural ecosystems by an average of 47% from their earliest estimable figure, and an estimated 1 million species are threatened with extinction^[1]. People's lives and business activities depend on various resources such as air, water, soil, and food created and controlled by the natural environment and biodiversity. Therefore, there is growing international recognition that the loss of the natural environment and biodiversity is a serious economic problem.
- In order to address the issues of the natural environment and biodiversity, countries around the world, including Japan, adopted the 「Kunming-Montreal Global Biodiversity Framework」 in 2022. It has 23 goals for 2030, including protecting and conserving at least 30% of the land and sea by 2030 (commonly known as the 30by30 target), and four goals for 2050, including a significant increase in the area of natural ecosystems by 2050. These targets include promoting corporate efforts to conserve the natural environment and biodiversity, as well as information disclosure.

■ Environment surrounding food companies — impact on raw material procurement, Increased interest from business partners

- Food companies use the blessings of nature such as water resources and agricultural, livestock and fishery products as raw materials in their manufacturing and processing processes. Therefore, the loss of the natural environment and biodiversity has a great impact on the sustainability of their business. On the other hand, there is also the aspect that the business activities of food companies themselves are causing the loss of the natural environment and biodiversity.
- For example, the development of agricultural land to produce imported raw materials such as palm oil, cacao, coffee beans, South American soybeans and beef is a major cause of deforestation. In addition, in agricultural production areas, there are concerns about the adverse effects on the natural environment due to the excessive use of chemical fertilizers and chemical pesticides, and the occurrence of water shortages due to overconsumption of agricultural water and climate change. Regarding marine products, resource depletion due to overfishing, adverse effects on ecosystems due to inappropriate fishing methods and the disposal and disposal of fishing gear, In addition, there are concerns about contamination from feed, manure, etc. at farms, and adverse effects on the ecosystems of neighboring sea areas due to the escape of farmed fish.
- Under these circumstances, large food companies are increasing the procurement of raw materials that meet third-party certifications and equivalent standards, or directly confirming the situation of raw material production areas, there is an increasing movement to procure raw materials that consider the natural environment and biodiversity. In the future, it is possible that medium-sized companies and small and medium-sized enterprises, which are suppliers of large company, will be required to use raw materials that take the natural environment and biodiversity into consideration.
- Procurement of raw materials that takes into consideration the natural environment and biodiversity is a difficult field even for large food companies and is a field that is still in the process of being tackled. There may be costs associated with conversion of raw materials. However, in the long term, we can expect to improve the stability and sustainability of raw material procurement, such as continuing transactions with business partners that promote raw material procurement that considers the natural environment and biodiversity and acquiring new business opportunities.

Conservation of the natural environment and biodiversity : What direction we will take (①Setting goals)

■ Target items (example)

Sustainable use of water resources (Reduction of water intake and consumption, Compliance with wastewater standards, etc.)

Increase procurement of raw materials with consideration for the natural environment and biodiversity (Raw materials that do not cause deforestation, Raw materials that lead to sustainable agriculture and the fisheries industry, etc.)

- In promoting efforts to conserve the natural environment and biodiversity, various targets can be set according to the relationship between the company and the natural environment and biodiversity (business content, raw materials handled, etc.).
- A wide range of food companies pertain to the sustainable use of water resources. Specifically, it is recommended to set goals to reduce water intake and consumption, and to comply with wastewater standards. In addition, there are examples of large companies aiming to maintain and increase the amount of recharge of water resources used by carrying out conservation activities for forests upstream of factories.
- Since food companies heavily involved in biodiversity at the raw material procurement stage, it is also important to set procurement targets. Specifically, it is recommended to set goals to increase the volume and number of raw materials that are procured in consideration of the natural environment and biodiversity, as well as the percentage of procurement as a whole. There are examples of large companies aiming to increase the percentage of specific raw materials such as palm oil that can ensure traceability to the raw material production area.
- From the perspective of controlling adverse effects on the natural environment and biodiversity, efforts to reduce GHG emissions, reduce food loss, and eliminate plastic are also effective. By implementing these together with efforts to procure water resources and raw materials, we can further contribute to the conservation of the natural environment and biodiversity.

Examples of target items related to "Raw material procurement that considers the natural environment and biodiversity"

A wide range of raw materials (Agricultural, Livestock and Marine products)	Palm oil, Cacao, Coffee beans, Soybeans (imported)	Agricultural products
<ul style="list-style-type: none"> ✓ Quantity, number of items, and ratio of raw material procurement that meet third-party certification or equivalent standards ✓ Percentage of products that can ensure traceability to raw material production areas, etc. ✓ Procurement volume, number of items, and ratio of locally produced agricultural, livestock and fishery products such as domestic products 	<ul style="list-style-type: none"> ✓ Amount and ratio of raw material procurement that does not cause deforestation in raw material production areas 	<ul style="list-style-type: none"> ✓ Procurement volume, number of items, and ratio of agricultural products using sustainable farming methods such as organic farming methods ✓ Procurement volume, number of items, and ratio of agricultural products that reduce or optimize the use of chemical pesticides and fertilizers

(Source) Created based on "Domestic and international standards and guidance" (Strategy for Sustainable Food Systems MIDORI, Food and Agriculture Benchmark (World Benchmarking Alliance), etc.) and information disclosed by food companies

Conservation of the natural environment and biodiversity : What direction we will take (②Setting goals)

■ Concept of target level

- Sustainable use of water resources
 - When aiming to reduce water intake or water consumption, there is no target level unless water intake restrictions are imposed in the operating area. However, in order to continue to use water resources in the future, it is recommended that we continue to work on reducing water intake and water consumption per product weight. In addition, if a business base such as a factory is located in an area where drought has already occurred or where there is concern about future drought, It is important to set goals that are higher than those of other business locations.
 - If the quality of wastewater is the target, We will comply with the standards stipulated by laws and regulations such as the Water Pollution Control Law. Some leading food companies have set voluntary standards that are even stricter than the law and strive to properly manage wastewater and ensure water quality.
- Increase procurement of raw materials with consideration for the natural environment and biodiversity
 - In the Strategy for Sustainable Food Systems MIDORI (Strategy MIDORI) (MAFF May 2021), we have set a goal of 100% of listed food companies efforts to procure imported materials with consideration for sustainability by 2030. Although the sustainability of imported materials is not limited to the perspective of preserving the natural environment and biodiversity. It is recommended to work with suppliers and material producers to procure materials that consider the natural environment and biodiversity, and to gradually increase amount and ratio of these.
 - In particular, the procurement of raw materials that do not cause deforestation is attracting increasing attention internationally. In the “Glasgow Leaders Declaration on Forests and Land Use” (November 2021), more than 140 countries and regions, including the Japanese government, The goal is to halt deforestation and land degradation by 2030 through the promotion of sustainable production and consumption. Some large food companies have set a target of no deforestation in the raw material production areas in their supply chains by 2030 or sooner than 2030.
 - MAFF has set targets to materials derived from sustainable agriculture and fisheries as the Strategy MIDORI's KPI targets for 2030. Among these, for example, the use of chemical pesticides (risk-weighted) is reduced by 10% compared to the 2019 agricultural chemical year, the amount of chemical fertilizer used is reduced by 20% compared to the 2016 fertilizer year, and the fishery volume is restored to the same level as in 2010, a 13% ratio of artificial seedlings in aquaculture of Japanese eel and bluefin tuna, and a 64% ratio of mixed feed for fish farming, etc. are listed. Food companies are also encouraged to keep these government goals in mind and actively promote the procurement of sustainably produced agricultural and marine products.

Conservation of the natural environment and biodiversity : How we will tackle them (Method of action①)

■ Use water resources sustainably

- It is necessary to understand the amount of water intake and water consumption at each business site such as a factory. On top of that, it is important to reduce the amount of water intake as much as possible and increase the efficiency of water resource utilization by taking daily actions to save water, introducing water-saving equipment, and reusing water used in the production process. In food companies, even the cleaning of manufacturing equipment consumes a large amount of water. Therefore, knowing exactly how much water is enough to thoroughly clean equipment while maintaining product quality can potentially reduce wasted water consumption.
- When discharging wastewater, it is important to implement appropriate treatment and monitor the status so that pollutants contained in the wastewater do not exceed legal standards.
- Large companies use assessment tools such as hazard maps and water storage information from local governments, and Aqueduct published by the World Resources Institute to investigate drought risks. Based on the above results, there are an increasing number of cases in which initiatives are being implemented intensively in high-risk areas. There are also cases of surveys of drought risks not only at the company's business bases but also at raw material production areas and supporting conservation activities at water sources.

Target item	Action (example)	
Reduction of water intake and consumption	Improving the efficiency of water use at our business sites	<ul style="list-style-type: none"> ✓ Stopping water flow outside operating hours, investigating and correcting leaks ✓ Installation of water-saving nozzles on faucets ✓ Reuse of cooling water ✓ Reusing the water used in the cleaning and sterilization process for equipment and pipes for purposes that match the quality of the water ✓ Introduction of air cleaning equipment that does not use water resources in the rinse process
	Conservation of water sources at our business sites	<ul style="list-style-type: none"> ✓ In cooperation with local governments, etc., we carry out conservation activities (tree planting, undergrowth cutting, pruning, thinning, etc.) for the forests that serve as water sources for our factories
	Conservation of water sources in raw material production areas	<ul style="list-style-type: none"> ✓ Investigation of drought risk by type of raw material and main production area ✓ Collaborating with NGOs, etc., to support water source conservation activities in raw material production areas
Ensuring the quality of wastewater	<ul style="list-style-type: none"> ✓ Introduced anaerobic treatment equipment to purify wastewater, and used biogas generated as a by-product in the treatment process for energy ✓ In plants and processes with a large wastewater load, we have introduced treatment equipment that uses environmental technologies such as activated sludge treatment and methane fermentation treatment 	

Conservation of the natural environment and biodiversity : How we will tackle them (Method of action②)

■ Procure raw materials that consider the natural environment and biodiversity

- For food companies that are not directly involved in the production of raw materials, efforts by raw material producers are essential to curb deforestation and realize sustainable agriculture and fisheries. By actively procuring raw materials that have acquired third-party certification for sustainable production, and raw materials that have been confirmed to take biodiversity into account by ensuring traceability, etc., It is recommended to indirectly support the efforts of raw material producers.
- At present, the distribution volume of raw materials that have acquired third-party certification is small, and there are some that do not even have a system in place. Especially for imported raw materials, it is assumed that it will be difficult to obtain inexpensive raw materials that take biodiversity into consideration, because it is not easy to confirm the traceability of raw materials to the raw material production area. Therefore, it is recommended to start by gathering information such as fact-finding surveys in collaboration with raw material suppliers, raw material producers, NGOs, etc., and then expand the amount of procurement over the medium to long term. Leading companies are beginning to use satellite imagery to monitor the presence or absence of deforestation in raw material production areas in their supply chains, and some companies are beginning to provide direct support to raw material producers.

Target item	Action (example)	
Procurement of raw materials with consideration for biodiversity	Formulation of corporate policy and code of conduct for suppliers	<ul style="list-style-type: none"> ✓ Formulation and publication of a policy declaring efforts to conserve and restore biodiversity ✓ Identify important raw materials to focus on based on the degree of dependence on raw materials, feasibility of substitution, degree of involvement in sustainability to the global environment, etc. ✓ Incorporate biodiversity conservation and restoration into the code of conduct for suppliers, and request cooperation from suppliers
	Procurement of certified raw materials	<ul style="list-style-type: none"> ✓ Procurement of RSPO certification palm oil ✓ Procurement of 4C, Fairtrade, Rainforest Alliance certification coffee beans ✓ Procurement of MSC certification, ASC certification, MEL certification marine product ✓ Procurement of FSC certification paper, etc. ✓ Procurement of GAP certification, organic JAS certification, international fairtrade certification agricultural products ✓ Procure agricultural products produced by those who have received certification for environmental load reduction business activity implementation plans based on the MIDORI Act
	Confirmation and investigation of suppliers	<ul style="list-style-type: none"> ✓ For palm oil, work with suppliers to identify and publish a list of mills in the supply chain ✓ For palm oil, monitor the presence or absence of deforestation using satellite photographs ✓ For soybeans, engagement with suppliers by tracking to improve traceability
	Direct support for raw material producers	<ul style="list-style-type: none"> ✓ Supporting producers to acquire GAP certification ✓ Conducting Skipjack Tagging Surveys Jointly with Research Institutes in Japan ✓ Implementation of small farmer support projects in collaboration with NGOs ✓ Employees go directly to the site and implement support activities that meet the needs of each country of origin (for example, teaching the unique fermentation method of cacao beans)

Reference : Certification system related to biodiversity (example)

- Examples of certification systems for raw materials that consider the natural environment and biodiversity include the following.

Raw material type		Authentication name	Overview
Agricultural products	Palm oil	RSPO certification	A scheme run by the Roundtable on Sustainable Palm Oil (RSPO) that certifies palm oil produced in an economically sustainable, environmentally sound and socially beneficial manner.
	Coffee beans, Cacao, Tea, Fruit, etc.	Rainforest alliance certification	A system by the Rainforest Alliance that certifies agricultural products produced using methods that lead to social, economic and environmental enhancement.
	Coffee beans, Cacao, Tea, Sugar, Spices, Soybeans, Fruits, Sesame, etc.	International fairtrade certification	A system by Fairtrade International to certify agricultural products produced according to standards that guarantee economically, socially, and environmentally sustainable production and livelihoods for small-scale producers and workers in developing countries.
	Agricultural products, Livestock products, Algae (Feed and processed foods are also included in the target of the system)	Organic JAS certification	A system that certifies food produced on the basis that it does not rely on chemical substances such as pesticides and chemical fertilizers, based on the JAS Law (Act on Japanese Agricultural Standards, etc.).
	Agricultural products	GAP certification	In the five fields of food safety, environmental conservation, occupational safety, human rights protection, and farm management, a system that certifies that continuous improvement activities are being carried out by implementing, recording, inspecting, and evaluating each process of agricultural production. In Japan, three types of certification are popular: Global G.A.P operated by Foodplus, ASIAGAP and JGAP operated by Japan GAP Association.
Marine products	Fishery	MSC certification	A system by the Marine Stewardship Council (MSC) to certify properly managed and sustainable marine products (fisheries) in consideration of marine resources and the environment.
	Aquaculture	ASC certification	A system by the Aquaculture Stewardship Council (ASC) to certify marine products (aquaculture) that prevent pollution of the natural environment and overuse of resources and build sincere relationships with workers and local residents.
	Fishery, Aquaculture	MEL certification	A system to certify marine products (fisheries and aquaculture) that consider the sustainability of marine resources and the environment by the Marine Eco-Label Japan Council.
Forest products	Paper, Wood	FSC certification	A system by the Forest Stewardship Council (FSC) to certify properly produced forest products while protecting forest biodiversity and protecting the rights of local communities, indigenous peoples and workers.
		PEFC certification	A system that certifies forest products produced through sustainable forest management under the Programme for the Endorsement of Forest Certification (PEFC). It is a system for mutual recognition of forest certification systems in each country, and in Japan, SGEC certification by the Sustainable Green Ecosystem Council (SGEC) is mutually recognized.

Consideration for animal welfare, restraint on the use of antibacterial agents : Why we will tackle this issues

■ What is the problem of animal welfare

- Animal welfare is defined as "the physical and mental state of an animal in relation to its living and dying conditions"[1]. In recent years, there has been a demand for livestock care management that considers animal welfare, in order to understand the sensitivities of livestock and not to hinder their behavior due to their ecology and habits.
- From the perspective of animal welfare considerations, EU member states and some states in the United States are considering and introducing laws and regulations that stipulate the obligatory indication of livestock breeding methods on the labeling of products such as livestock products. In Japan, MAFF has issued a notice "About the basic concept of livestock breeding management with consideration for animal welfare". In addition, the Livestock Technology Association (public corporation) has formulated and is working to disseminate breeding management guidelines that consider animal welfare by type of livestock. Moreover, MAFF has decided to meet the standards of the OIE Code, which is an international standard for animal welfare, against the backdrop of growing interest in animal welfare and export promotion of livestock products. For this reason, in May 2022, public comments were made on the "Technical Guidelines for Feeding Management for Each Livestock Type (Draft)," which summarizes specific measures for each type of livestock.

■ What is the problem with antibacterial agents

- In the livestock and aquaculture industries, antibacterial agents are sometimes used not only for the treatment of animals but also as feed additives for the purpose of preventing infectious diseases and promoting growth. Inappropriate use of antibacterial agents, such as overuse, leads to the emergence of drug-resistant bacteria that are ineffective against antibacterial agents, which not only makes it difficult to treat animals, but can also affect human health. The number of deaths due to drug-resistant bacterial infections, which is already estimated at 700,000 per year, is expected to reach 10 million per year by 2050 if no measures are taken[2].
- The EU has introduced legislation prohibiting the use of specified antimicrobial agents and the use of antimicrobial agents for the purpose of promoting growth or increasing production in imported animals or products of animal origin. In Japan, MAFF considers the results of risk assessment by the Cabinet Office Food Safety Commission and strives to limit the use of antibacterial agents even for therapeutic purposes. Regarding antibacterial agents used as feed additives, those that have been evaluated as having an impact on human health will be discontinued, and only those that have been evaluated as having no impact will be allowed to continue to be used.

■ Environment Surrounding Food Companies — Growing Interest in Animal Welfare Among Business Partners

- In recent years, large global food companies have begun to procure animal welfare-friendly ingredients and antibacterial agent-free ingredients in response to growing interest from consumers and investors, currently, large food companies have just started to take action, but in the future, small and medium-sized companies, which are suppliers of large companies, will also be required to use raw materials that consider animal welfare and that use less antibacterial agents, maybe.

Consideration for animal welfare, restraint on the use of antibacterial agents : What direction we will take (Setting goals)

■ Target items (example)

Increased procurement of animal welfare-friendly raw materials and raw materials with reduced use of antibacterial agents

- For many food companies, consideration for animal welfare and restraint on the use of antibacterial agents are efforts at the production stage of raw materials such as livestock and marine products. For the reasons mentioned above, it is important to set targets related to the procurement of raw materials.
- Regarding the procurement of raw materials with consideration for animal welfare, it is recommended to set a goal to improve the amount of raw material procurement, the ratio of the total procurement, etc. that considers the following points of view. It is also recommended to set a goal to improve the amount of raw material procurement that reduces the use of antibacterial agents (veterinary drugs and feed additives), the ratio of the total procurement, etc.

Perspective of Animal Welfare	Examples of target items
Production is carried out with consideration for the following "five freedoms", which are useful indicators for understanding the situation of animal welfare. (1) freedom from hunger, thirst and malnutrition, (2) freedom from fear and distress, (3) freedom from physical and thermal discomfort, (4) freedom from pain, injury and disease, (5) freedom to carry out normal behavior.	The amount and ratio of raw materials produced that meet the checklist in the appendix of the "Livestock Feeding Management Guidelines Corresponding to the Concept of Animal Welfare" published by the Japan Livestock Technology Association

■ Concept of target level

- Although there are no guidelines stipulated by law or private initiative. It is expected to gradually increase the procurement of raw materials that consider animal welfare and raw materials that use less antibacterial agents, While cooperating with raw material suppliers and raw material producers.

Consideration for animal welfare, restraint on the use of antibacterial agents : How we will tackle them (Method of action)

■ Work through procurement of raw materials

- For food companies that are not directly involved in the production of livestock and marine products will consider animal welfare and curb the use of antibacterial agents, it is necessary to ensure the efforts of raw material producers, who are their suppliers. It is recommended to indirectly support the efforts of raw material producers by actively procuring raw materials that consider animal welfare and that have been confirmed to reduce the use of antibacterial agents.
- At present, it is assumed that raw materials that have been certified by "Livestock GAP", which includes initiatives that consider animal welfare, and raw materials that can be confirmed to reduce the use of antibacterial agents, are difficult to obtain at a low price due to the low distribution volume. Therefore, it is recommended to expand the procurement volume of these raw materials over the medium to long term through cooperation with raw material suppliers, raw material producers, NGOs, etc. Some large companies have started to introduce new equipment to their own farms, etc., and to provide direct support to raw material producers.

Target item	Action (example)	
Increase raw material procurement with consideration for animal welfare	Formulation of corporate policy and code of conduct for suppliers	<ul style="list-style-type: none"> ✓ Formulation and publication of a policy declaring efforts to improve animal welfare ✓ Incorporate consideration of animal welfare into the code of conduct for suppliers, and ask suppliers to cooperate with initiatives
	Gather information on suppliers and ensure traceability	<ul style="list-style-type: none"> ✓ Periodically collect information from meat suppliers, etc. on the status of initiatives related to consideration for animal welfare ✓ Ensuring 100% traceability to raw milk production areas
	Refurbishment and new introduction of equipment at company farms, etc.	<ul style="list-style-type: none"> ✓ Developing and utilizing new technologies such as smart livestock farming ✓ Install drinking water facilities at livestock waiting areas in slaughterhouses ✓ Installation of monitoring cameras at our own farms and slaughterhouses
	Direct support for raw material producers	<ul style="list-style-type: none"> ✓ Implementation of support activities for improving farm work and improving business management technology
Increase procurement of raw materials with reduced use of antibacterial agents	Formulation of corporate policy	<ul style="list-style-type: none"> ✓ Formulated and announced a policy declaring efforts to curb the use of antibacterial agents
	Direct support for raw material producers	<ul style="list-style-type: none"> ✓ Introducing a breeding management program that does not use antimicrobial agents

(Source) Created based on information disclosed by food companies

Consumer health and nutrition : Why we will tackle this issues

■ What is the problem of health and nutrition

- About 800 million people in the world face hunger, while about 2.2 billion people are obese or overweight^[1]. Every country has some form of health and nutrition problem and faces a "double burden of malnutrition" (undernutrition and overnutrition coexisting).
- The problem of malnutrition impairs individual, community and economic growth. Diet-related illness and mortality are on the rise in most regions and account for a quarter of premature adult deaths^[2]. In Japan, as the declining birthrate and aging society are expected to progress further, further extension of healthy life expectancy has become an issue.
- At the Tokyo Nutrition for Growth Summit 2021 hosted by the Japanese government in December 2021, the governments of each country, international organizations, private companies, civil society, etc. announced the Tokyo Compact on Global Nutrition for Growth. The announcement lists "promoting healthy diets and building sustainable food systems" as one of the five items that the international community should work on to end malnutrition by 2030.

■ Environment Surrounding Food Companies — Growing social interest and expectations

- As interest in health and nutrition issues increases in society, food companies are required to proactively develop and sell nutritionally conscious foods, taking into consideration the differences in health and nutritional issues faced by consumers in Japan and overseas. Through these efforts, consumers will be able to choose voluntarily, rationally, or naturally, regardless of their degree of health concern, purchase at reasonable prices, and make it easier to use in their daily meals. is expected^[3].
- Efforts to solve consumer health and nutrition problems can be expected to lead to innovation of the company and products, improvement of brand power, and acquisition of new demand for healthier and more nutritious foods.

[1] "The State of Food Security and Nutrition in the World 2021" (FAO 2021)

[2] "2021 Global Nutrition Report: The state of global nutrition" (Development Initiatives 2021)

[3] "The committee meeting on the promotion of a healthy and sustainable food environment Report" (MHLW 2021)

Consumer health and nutrition : What direction we will take (①Setting goals)

■ Target items (example)

Promoting the provision and sale of healthier and more nutritious foods and menus

- In promoting health and nutrition-related initiatives, various targets can be set according to the products handled and the main consumers (specific examples are shown on the next page).
- In Japan, where further extension of healthy life expectancy is an issue, from the perspective of prevention and countermeasures against lifestyle-related diseases, It is recommended to set goals and work on the issues of curbing excessive intake of salt, reducing underweight among young women, and providing and selling foods and menus that contribute to the elimination of nutritional disparities due to economic disparities.

■ Concept of target level

- For food companies, there are not many direct indicators of target levels. Therefore, Companies are expected to increase the number of healthier and nutritionally conscious products while referring to the target values that international organizations and governments aim for as a whole society, the recommended daily intake, etc.

Consumer health and nutrition : What direction we will take (②Setting goals)

■ Target items (example) , Concept of target level (continued)

Examples of target items		Numerical value for reference
Promoting the provision and sale of healthier and more nutritious foods and menus	<ul style="list-style-type: none"> ✓ Increased number and percentage of covered products ✓ Increased amount and percentage of marketing budget for targeted products ✓ Increase the number and ratio of healthy menus provided to employees at cafeterias, etc. 	—
Suppression of excessive intake of salt, Trans fatty acids and saturated fatty acids, Sugars and calories	<ul style="list-style-type: none"> ✓ Reduction of usage and content per product ✓ Increase in shipment value, ratio, number of new developments, etc. for low-salt products 	<ul style="list-style-type: none"> ✓ Salt intake less than 7.5 g/day for men, less than 6.5 g/day for women (MHLW "Dietary Reference Intakes for Japanese" (2020 edition))
Increased intake of vegetables, fruits, nuts, beans, etc.	<ul style="list-style-type: none"> ✓ Increased usage per product ✓ Increase in shipment value, ratio, number of new developments, etc. for products that use many vegetables, etc. 	<ul style="list-style-type: none"> ✓ FY2022 target: Average vegetable intake of 350g/day, Percentage of people with less than 100g of fruit intake of 30% (MHLW "Health Japan 21")
Reduce the weight loss of young women	<ul style="list-style-type: none"> ✓ Increase in shipment value, ratio, number of new developments, etc. of products that contribute to improved nutrition for women and children ✓ Increase in shipment value, percentage and number of new developments of nutritionally conscious products available at affordable prices ✓ Number of times nutrition education/food education was implemented and number of participants 	<ul style="list-style-type: none"> ✓ FY2022 target: Reduce the percentage of women in their 20s who are underweight (BMI less than 18.5) to 20% or less (MHLW "Health Japan 21")
Elimination of nutritional disparities associated with economic disparities		<ul style="list-style-type: none"> ✓ By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round. (SDGs)
Eliminate malnutrition among children and women		<ul style="list-style-type: none"> ✓ Reduce the prevalence of stunting in children under 5 years old (height for age below -2 standard deviations from the median in the WHO Child Growth Standards) by 40% compared to BAU by 2025 (SDGs) ✓ By 2030, end all forms of malnutrition and address the nutritional needs of young girls, pregnant and lactating women and older persons (SDGs) ✓ Reduce the prevalence of anemia among women aged 15-49 by 50% by gestational status by 2025 (SDGs) ✓ 30% reduction in underweight babies by 2025 compared to 2012 (SDGs)
Others	<ul style="list-style-type: none"> ✓ Increased number and percentage of products displaying nutritional information ✓ Increase in the number and proportion of foods that take measures against allergies ✓ Number of social welfare activities through food (such as providing ingredients to food banks and children's cafeterias) 	—

(Source) Created based on "Strategic Initiative for a Healthy and Sustainable Food Environment Overview and Participation Guide" (MHLW), "Health Japan 21" (MHLW), "Dietary Reference Intakes for Japanese(2020 edition)" (MHLW), "SDGs Goal 2", "Access to Nutrition Index(ATNI)" (Access to Nutrition Initiative), "Food and Agriculture Benchmark" (World Benchmarking Alliance), and disclosure cases of food companies

Consumer health and nutrition : How we will tackle them (Method of action)

■ Promoting the provision and sale of healthier and more nutritious foods and menus

- It is recommended that companies understand the resolution of social issues related to health and nutrition as a new business opportunity, and actively work to provide and sell healthier and more nutritionally conscious foods and menus. Large companies have practical examples of developing and selling new products, providing information that visualizes the nutrients and appropriate amounts of products, raising awareness among consumers, and conducting academic research.

Target item	Action (example)	
Promoting the provision and sale of healthier and more nutritious foods and menus	Formulation of corporate policy	✓ Formulate and publish a policy declaring that it will work to solve social issues related to health and nutrition
	Development and sales of new products	✓ Development and sales of low-salt, low-sugar, low-fat, low-calorie products ✓ Development and sales of products that ensure intake of protein, which tends to be deficient ✓ Increased vegetable, fruit, legume, nut content in products ✓ Development and sales of products that provide nutrients that infants, children, and mothers tend to lack
	Providing information that visualizes product nutrients and appropriate portions	✓ Evaluate the number of nutritional components contained in food based on scientific evidence, score the nutritional quality of the food, and express it in an easy-to-understand manner (development and introduction of a nutritional profiling system*) ✓ Easy-to-understand information display showing proper serving size and nutrients per serving
	Dissemination to consumers	✓ Proposing low-salt menus using local ingredients and our own products ✓ Implementing food education programs and disseminating information on the website to promote understanding of healthy eating habits and food culture
	Academic research	✓ Conducting fact-finding surveys on social issues related to health and nutrition ✓ Research on improving food allergies and health functions
	Others	✓ Support for nutrition improvement projects in developing countries ✓ Collaborate with governments, industry groups, private initiatives, etc. to solve health and nutrition issues

(Source) Created based on information disclosed by food companies

* A nutritional profiling system is a system that expresses the nutritional value of a product by scoring it (numerical value) based on the number of nutritional components contained in the product. Scoring makes it easier to compare the nutritional value of similar products, so in Europe, America, Australia, New Zealand, Singapore, etc., a system of labeling food containers and packaging is being considered and introduced.

Reference Materials／Links 1/3

【Reference materials useful for effort on Climate change】

- "List of calculation methods and emission factors in the system for calculating, reporting, and disclosing greenhouse gas emissions" (MOE) <https://ghg-santeikohyo.env.go.jp/calc>
Based on the Law Concerning the Promotion of the Measures to Cope with Global Warming, calculation method for greenhouse gas emissions and a list of emission factors that can be used for calculation are posted.
- "CO2 Check Sheet" ((The Japan Chamber of Commerce and Industry (Nissho Kankyo Navi)) <https://eco.icci.or.jp/checksheet>
A free tool that can automatically calculate CO2 emissions based on the emission factor published by MOE by entering and accumulating monthly usage fees and charges for each type of energy such as electricity, kerosene, and city gas in an Excel sheet, is published in.
- "Practice and Visualization of Decarbonization in the Food Supply Chain (Information Disclosure)" (MAFF website) <https://www.maff.go.jp/j/kanbo/kankyo/seisaku/climate/visual.html>
Reference materials that can be used by food business operators, agriculture, forestry and fisheries workers, etc. when working on the implementation and visualization of decarbonization. For example, a simple greenhouse gas calculation sheet for agricultural products and materials introducing decarbonization technology.
- "Green Value Chain Platform" (MOE, METI) https://www.env.go.jp/earth/ondanka/supply_chain/gvc/
We publish guidelines, Q&As, databases, self-study materials, etc. for calculating emissions so that Japanese companies can calculate Scope 3 emissions in accordance with the standards of the GHG Protocol.
- "Decarbonization Management Promotion Handbook" (MOE) <https://www.env.go.jp/earth/datsutansokeiei.html>
Various guides for promoting specific efforts for decarbonized management are posted for companies, including small and medium-sized enterprises. In addition, the government's support measures that can be used by small and medium-sized enterprises to promote their efforts are also summarized.
- "Climate Change Adaptation Guide for Private Businesses – To Prepare and Survive Climate Risks" (MOE 2022) https://adaptation-platform.nies.go.jp/private_sector/guide/index.html
It explains the impact of climate change on business activities, basic methods for implementing adaptation efforts, and the benefits of such efforts, which can be used as a reference when promoting efforts to adapt to climate change.
- "Information Disclosure on Climate-Related Risks and Opportunities in Food, Agriculture, Forestry and Fisheries (Introduction) [2nd Edition]" (MAFF 2022) <https://www.maff.go.jp/j/kanbo/kankyo/seisaku/climate/attach/pdf/visual-89.pdf>
This is a guidebook for information disclosure based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), which exemplifies important issues and business impacts at each stage of the supply chain for each industry, such as livestock products and agricultural products. Comprehensively collects and organizes information on climate-related risks and opportunities in Japan's food, agriculture, forestry and fisheries industries.
- "Information Disclosure on Climate-Related Risks and Opportunities in Food, Agriculture, Forestry and Fisheries (Practical Edition)" (MAFF 2022) <https://www.maff.go.jp/j/kanbo/kankyo/seisaku/climate/attach/pdf/visual-96.pdf>
This is a guidebook for considering countermeasures and disclosing information after identifying climate-related risks and opportunities. It covers not only large companies but also small and medium-sized companies and describes the flow of information disclosure and disclosure items.

Reference Material／Links 2/3

【Reference materials useful for effort on Respect for human rights】

- "Business and Human Rights" (MAFF website) https://www.maff.go.jp/j/kokusai/kokusei/kanren_sesaku/business_and_human_rights.html
In order to help farmers, forestry and fishery workers, food business operators, and other people involved in the supply chain of agricultural, forestry and fishery products and food products to respond appropriately to various situations that may arise regarding human rights and value chains, It introduces international frameworks and Japan's efforts on "Business and Human Rights."
- "'Research and Study on Business and Human Rights' Report – Responses to 'Business and Human Rights' Required of Companies Today" (MOJ 2021) https://www.moj.go.jp/JINKEN/jinken05_00045.html
It provides easy-to-understand explanations of the content of human rights that companies should respect, recent trends in human rights, and the necessity and methods of human rights efforts by companies. In addition to the report, "Projected Materials" and "Guidelines for Utilization" are also posted, which can be used as training materials.
- "Guidelines on Respecting Human Rights in Responsible Supply Chains" (The Inter-Ministerial Committee on Policy Promotion for the Implementation of Japsn's National Action Plan on Business and Human Rights, 2022) <https://www.meti.go.jp/press/2022/09/20220913003/20220913003-a.pdf>
Based on international standards, this guideline have been formulated with the aim of helping companies deepen their understanding of the efforts that companies are required to make to respect human rights and promoting such efforts. It provides specific and easy-to-understand explanations in line with the actual situation of companies conducting business activities in Japan and can be used across industries.

【Reference materials useful for effort on Food loss reduction, Food waste recycling】

- "Food Loss/Food Recycling" (MAFF website) https://www.maff.go.jp/j/shokusan/recycle/syoku_loss/161227_4.html
It introduces the amount of food loss, the situation surrounding food loss, various measures and initiatives related to food loss reduction and food recycling, and related subsidies.
- "Efforts to Reduce the Generation of Food Waste, etc." (MAFF website) https://www.maff.go.jp/j/shokusan/recycle/syokuhin/hassei_yokusei.html
Based on the Food Recycling Law, the target values for reducing the amount of food waste generated per unit for each type of industry are posted.

【Reference materials useful for effort on Plastic-free, Recycling of containers and packaging】

- "Container and Packaging Recycling" (MAFF website) <https://www.maff.go.jp/j/shokusan/recycle/youki/pdf/tebiki.pdf>
Introduces rules (legal systems, etc.), guides for business operators, case studies, etc. regarding recycling of containers and packaging (including plastic containers and packaging).
- "Plastic Resource Circulation" (MAFF website) <https://www.maff.go.jp/j/plastic/>
Introduces the situation surrounding Plastic Resource Circulation, examples of efforts by food-related companies and organizations, and various measures.
- "Plastic Resource Circulation" (MOE website) <https://plastic-circulation.env.go.jp/>
Regarding "The Plastic Resource Circulation Act" which came into effect on April 1, 2022, Introduces outlines of laws and regulations, guides, certification applications and support measures that can be used by businesses.

Reference Material／Links 3/3

【Reference materials useful for effort on Conservation of the natural environment and biodiversity】

- "Conservation and restoration of biodiversity" (MAFF website) https://www.maff.go.jp/j/kanbo/kankyo/seisaku/c_bd/tayousei.html
Introduction of MAFF's biodiversity strategy, systems for promoting nature restoration, pamphlets for agriculture, forestry, fisheries, and food businesses on conservation and restoration of biodiversity.
- "About the MIDORI Act" (MAFF website) <https://www.maff.go.jp/j/kanbo/kankyo/seisaku/midori/houritsu.html>
Introducing "the MIDORI Act", which came into effect on July 1, 2022, and related systems.
- "The Guideline for Private Sector Engagement in Biodiversity (Second edition)" (MOE 2018)
https://www.env.go.jp/nature/biodic/gl_participation/download.html
This guideline summarizes the basic information, ideas, and examples necessary for businesses in a wide range of fields to work on the conservation and sustainable use of biodiversity.
- "Aqueduct" (World Resource Institute) <https://www.wri.org/aqueduct>
Map information showing a five-level quantitative evaluation of risks in the three areas of water quantity, water quality, and regulation/reputation around the world is available free of charge.

【Reference materials useful for effort on Consideration for animal welfare, restraint on the use of antibacterial agents】

- "About Animal Welfare" (MAFF website) https://www.maff.go.jp/j/chikusan/sinko/animal_welfare.html
Various measures related to animal welfare implemented by MAFF, and breeding management guidelines that consider animal welfare for each type of livestock specified by the Japan Livestock Technology Association.
- "About antibacterial substances used for animals" (MAFF website) <https://www.maff.go.jp/j/syouan/tikusui/yakuzi/torikumi.html>
Introducing the situation surrounding drug resistance measures regarding antibacterial substances used in animals, Overview of Japan's initiatives, etc.

【Reference materials useful for effort on Consumer health and nutrition】

- "International expansion of nutrition improvement" (MAFF website) <https://www.maff.go.jp/j/shokusan/kikaku/nutrition.html>
Introducing the "Nutrition Improvement Project Promotion Platform" to strengthen international impact improvement efforts through public-private partnerships.
- "Strategic Initiative for a Healthy and Sustainable Food Environment" (MHLW website) <https://sustainable-nutrition.mhlw.go.jp/>
This initiative is centered on nutritional aspects such as promoting salt reduction, while also focusing on environmentally friendly efforts by business operators. Through industry-government-academia collaboration and cooperation, we aim to create a food environment where everyone can naturally become healthy. The website introduces data on nutrition/dietary habits and health, and the efforts of food companies participating in the initiative.

IV. Methods of information disclosure for each ESG issue

Approach to Information Disclosure (Perspective for Small and Medium-sized Food Companies)

- Disclosure of information on sustainable management and responses to each ESG issues is not only required for listed and large food companies.
- Even unlisted or regional small and medium-sized food companies can improve social trust by disseminating their ideas and initiatives to a wide range of stakeholders inside and outside the company through information disclosure. In addition, by obtaining feedback on the disclosed information from inside and outside the company, it is possible to improve the initiatives.
- There are two main types of information disclosure regarding responses to ESG issues in the case of local small and medium-sized food companies. These are (1) disclosure of information to client companies and (2) disclosure of information to a wide range of stakeholders inside and outside the company. First of all, while giving priority to addressing (1), it is expected that (2) will also be addressed according to the company's resources. In addition, by working on (2), information in the company will be organized, and it is expected to have the effect of making it easier to respond to (1).

(1) Disclosure of information to client companies

- Format :
 - Responses to questionnaire surveys (questions) from customer companies, confirmation of compliance with business partner codes of conduct for suppliers, etc., site visits, etc.
- Merit :
 - Strengthen relationships with existing client companies that use ESG initiatives as procurement criteria (continued transactions)
 - Cultivate demand from new customers and consumers seeking to address ESG issues (including opportunities to receive orders for private brand products), etc.

(2) Disclosure of information to a wide range of stakeholders inside and outside the company

- Format :
 - Company website, booklets such as sustainability reports, etc.
- Merit :
 - Acquisition of new customers (PR to potential customers)
 - Securing human resources (PR for recruits)
 - Fostering further awareness of efforts within the company (PR to employees)
 - Improving reputation and credibility with local communities, etc.



By disclosing information to a wide range of stakeholders inside and outside the company, the company's internal information will be organized, and it will be possible to efficiently disclose information to client companies

Disclosure of information to client companies (Start here)

- Over the past few years, there has been an increase in the number of surveys (distribution of questionnaires) conducted by large companies to check the status of suppliers' sustainable management and ESG issues. These are conducted at when starting new transactions and when continuing existing transactions as part of their efforts for "sustainable procurement" and "building a responsible supply chain."
- In this questionnaire survey, each large company asks its suppliers about policies, systems, and initiatives related to responding to each ESG issue in line with the supplier code of conduct based on ESG material issues. In particular, there is a tendency to place particular emphasis on the status of responses to climate change and respect for human rights.
- When responding to these questionnaires, each company may be judged to be doing nothing if it does not respond, even if it is an initiative that is taken for granted on a regular basis (Example: energy-saving activities such as saving electricity for lighting and factory equipment, prevention of child labor by confirming the age and identity of recruits). In order for small and medium-sized food companies to give appropriate answers, including the points mentioned above, it is important to understand and organize the status of your company's efforts and, if necessary, the status of your suppliers' efforts in advance.
- Global Compact Network Japan* established the CSR Procurement Self-Assessment Questionnaire, which can be shared by client companies and suppliers regardless of industry, with the aim of standardizing the content and terms of questionnaires for a wide variety of suppliers. (A summary of the questions is provided on the following pages) Since the content can be shared with industries other than food companies, it does not necessarily match the ESG issues dealt with in this guidance and the content of the questionnaire survey of each client company, but it can be used as a reference when preparing for information disclosure.
- One of the issues with questionnaire surveys is that if multiple companies conduct questionnaire surveys separately, the target companies will have to respond to surveys with slightly different content, increasing the burden on responding companies. For this reason, in recent years, when requesting information disclosure and questionnaire surveys from target companies, some large companies have used centralized information sharing services such as the CDP supply chain program in the UK, Sedex in the UK, and Ecovadis in France
- * Global Compact Network Japan : The local network in Japan of the United Nations Global Compact, an initiative to build a healthy global society by joining hands with the United Nations and the private sector (companies and organizations). As of January 2022, more than 500 companies, mainly large companies, have joined.

Reference : Example of code of conduct for suppliers of large companies ①

- Meiji Holdings established the "Meiji Group Supplier Code of Conduct", the company asks its suppliers to understand the purpose of the code of conduct, to disseminate and comply with it within the company, and to encourage their business partners to comply with it.
- In 2020, the company held trade briefings and conducted a "Sustainable Procurement Questionnaire" for 74 primary suppliers. From the following year, the target has been expanded to include the company's outsourced suppliers and more primary suppliers.

Item of the Code of Conduct	
Introduction	
1. Human rights and labor	(1) Respect for international human rights and labor standards, (2) Respect for the rights of employees, (3) Prohibition of forced labor, etc., (4) Prohibition of child labor, (5) Prohibition of discrimination and harassment, (6) Fair treatment, (7) Freedom of association and respect for the right to collective bargaining, (8) Payment of wages, (9) Treatment of foreign workers
2. Safe and healthy work environment	(1) Employee protection, (2) Work process safety, (3) Emergency preparedness and response, (4) Sharing of hazard information
3. Fairness	(1) Anti-Corruption, (2) Fair Trade, (3) Disclosure of Conflicts of Interest, (4) Protection of Intellectual Property Rights, Confidential Information, and Personal Information, (5) Animal Welfare
4. Consideration for the environment	(1) Compliance with environmental laws and regulations and operation of environmental management systems, (2) Maximization of resource efficiency through effective use of resources, (3) Reducing environmental impact by reducing greenhouse gas emissions, (4) Reduction of environmental load by reducing CFC emissions, (5) Effective use and proper management of water resources, (6) Appropriate handling of waste, hazardous substances, and dangerous substances, (7) Development and use of environmentally friendly containers and packaging, (8) Conservation of biodiversity
5. Sustainable procurement activities	(1) Consideration for the environment in raw material procurement, (2) Sustainable procurement of paper, (3) Sustainable procurement of agricultural, livestock and fishery products, (4) Prohibition of infringement of the rights of indigenous peoples, (5) Prohibition of use of conflict minerals, etc.
6. Establishment of relief system and prohibition of retaliation	
Conclusion	

「Meiji Holdings prohibits forced labor, slave labor, and indentured labor for employees. Slave labor refers to forced labor that disregards the worker's personality, and indentured servitude refers to unpaid employment for a set period of time.」

「Regarding employment conditions, Meiji Holdings complies with labor laws and regulations applicable in the countries and regions where it conducts business activities. In addition, they document and provide their terms in a language that employees can understand.」

「We will strive to reduce CO2 emissions and use renewable energy, set CO2 and other greenhouse gas emissions reduction targets required by the Paris Agreement, and promote initiatives to reduce them.」

「We will engage in socially responsible procurement activities for agricultural, livestock, and marine products. In addition, if there is a certification system that considers the environment and human rights, we will strive to use it preferentially.」

Reference : Example of code of conduct for suppliers of large companies ②

- Seven & i Holdings has established the "Seven & i Group Business Partner Sustainable Action Guidelines" and asks its suppliers to understand and comply with the action guidelines and to make them disseminate to their business partners.

Item of the Code of Conduct	
1. Respect and protect human rights	
2. Legal compliance	
3. Prohibition of child labor, Protection of young workers	
4. Prohibition of forced labor	
5. Living wage payment	
6. Elimination of abuse, harassment, discrimination and punishment	
7. Employment and worker protection	
8. Global environmental conservation	
9. Confidentiality leak prevention and information management	
10. Personal information management	
11. Quality control and ethical response	
12. Relationships with local communities and international society	
13. Anti-corruption and fair trade	
14. Intellectual property protection	
15. Import and export management	
16. Establishment of internal reporting system	
17. Disaster countermeasures	
18. Deployment to the supply chain	
19. Monitoring	

1. Always check the age of everyone when hiring employees.

2. Do not employ children in violation of local laws or conventions established by the International Labor Organization (ILO).
* ILO conventions stipulate that the minimum age of workers must not be lower than the age for completing compulsory education and in any case must be at least 15 years old. (However, there are exceptions for hazardous work 18 years and over in all countries, 14 years and over for transitional periods in developing countries, and light work.)

3. Do not allow anyone under the age of 18 to work at night or in hazardous environments.

6. Business partners that handle private brand products of the Seven & i Group operating companies are kindly requested to cooperate in achieving the goals of the Seven & i Group's "GREEN CHALLENGE 2050."

- Reduction of CO2 emissions
- Use 100% environmentally friendly materials (biomass, biodegradable, recycled materials, paper, etc.) for original product containers by 2050
- 100% food waste recycling rate by 2050
- By 2050, 100% of food raw materials for original products will be sustainable

Suppliers are requested to make efforts to understand and disseminate these guidelines to their own suppliers, and to provide appropriate support and corrective actions, as necessary.

Reference : Item 1/3 of the "CSR Procurement Self-Assessment Questionnaire"

Primary item	Secondary item	Tertiary item
I. Corporate governance related to CSR	1. Building a CSR promotion system	Presence or absence of policy / Presence or absence of system and responsibility / Presence or absence of a mechanism to confirm the efforts and the results of the efforts / Presence or absence of a mechanism to correct the efforts as necessary
	2. Building internal controls	
	3. Building a business continuity plan (BCP) system	
	4. Building an internal reporting system	
	5. Dissemination of CSR-related information inside and outside the company	
II. Human rights	1. Basic Stance on Human Rights	Presence or absence of legal awareness / Presence or absence of policies / Presence or absence of systems and responsibilities
	2. Respect for Human Rights and Prohibition of Discrimination	Presence or absence of a system for confirming the efforts and the results of the efforts / Presence or absence of a system for correcting the efforts as necessary
	3. Avoidance of being complicit in (promoting) human rights violations	
	4. Respect and consideration for the lives and cultures of local communities and indigenous peoples	
III. Labor	1. Basic Stance on Labor Practices	Presence or absence of legal awareness / Presence or absence of policies / Presence or absence of systems and responsibilities
	2. Prohibition of Discrimination in Employment	Presence or absence of a system for confirming the efforts and the results of the efforts / Presence or absence of a system for correcting the efforts as necessary
	3. Providing equal opportunities to employees regarding human resource development and career advancement	
	4. Prohibition of inhumane treatment	
	5. Payment of fair wages	
	6. Fair application of working hours, holidays, paid holidays, etc.	
	7. Prohibition of forced labor	
	8. Prohibition of child labor	
	9. Respect for the religious traditions and customs of the countries and regions in which we operate	
	10. Recognizing and respecting the right to freedom of association and collective bargaining	
	11. Appropriate management of employee health and safety	

Reference : Item 2/3 of the "CSR Procurement Self-Assessment Questionnaire"

Primary item	Secondary item	Tertiary item
IV. Environment	1. Basic stance on environmental initiatives	Presence or absence of legal awareness / Presence or absence of policies / Presence or absence of systems and responsibilities
	2. Management of chemical substances designated by laws and regulations in manufacturing processes, products and services	Presence or absence of a system for confirming the efforts and the results of the efforts / Presence or absence of a system for correcting the efforts as necessary
	3. Management and reduction of wastewater, sludge and exhaust emissions	
	4. Sustainable and efficient use of resources (energy, water, raw materials, etc.)	
	5. Reduction of GHG (greenhouse gas) emissions	
	6. Waste identification, management, reduction and responsible disposal or recycling	
	7. Efforts on biodiversity	
V. Fair corporate activities	1. Basic Stance for Fair Corporate Activities	Presence or absence of legal awareness / Presence or absence of policies / Presence or absence of systems and responsibilities
	2. Building appropriate relationships with local governments and civil servants in Japan and overseas where we conduct business activities	Presence or absence of a system for confirming the efforts and the results of the efforts / Presence or absence of a system for correcting the efforts as necessary
	3. Prevention of inappropriate giving and receiving of profits with customers, business partners, etc. in sales or purchasing activities, etc.	
	4. Prevention of competition law violations in sales activities, etc.	
	5. Elimination of relationships with anti-social forces and groups	
	6. Prevention of unauthorized use of intellectual property of third parties and illegal duplication of copyrighted works	
	7. Point of contact for complaints and consultations from outside the company	
	8. Prohibition of Insider Trading	
	9. Prohibition of Conflicts of Interest	

Reference : Item 3/3 of the "CSR Procurement Self-Assessment Questionnaire"

Primary item	Secondary item	Tertiary item
VI. Quality and safety	1. Basic stance on the quality and safety of products and services	Presence or absence of legal awareness / Presence or absence of policies / Presence or absence of systems and responsibilities
	2. Ensuring the quality and safety of products and services	Presence or absence of a system for confirming the efforts and the results of the efforts / Presence or absence of a system for correcting the efforts as necessary
	3. Appropriate response in the event of product or service accidents or the distribution of defective products	
VII. Information security	1. Basic stance on information security	Presence or absence of legal awareness / Presence or absence of policies / Presence or absence of systems and responsibilities
	2. Defending against attacks on computer networks	Presence or absence of a system for confirming the efforts and the results of the efforts / Presence or absence of a system for correcting the efforts as necessary
	3. Personal information and privacy protection	
	4. Prevention of unauthorized use of confidential information	
VIII. Supply chain	1. Basic stance on the supply chain	Presence or absence of legal awareness / Presence or absence of policies / Presence or absence of systems and responsibilities
	2. Use of raw materials that are not involved in conflicts or crimes (efforts against conflict minerals)	Presence or absence of a system for confirming the efforts and the results of the efforts / Presence or absence of a system for correcting the efforts as necessary
IX. Coexistence with Local Communities	1. Efforts to reduce damage to the health, safety and hygiene of local communities and residents	Presence or absence of a system for confirming the efforts and the results of the efforts / Presence or absence of a system for correcting the efforts as necessary
	2. Efforts such as contributing to and collaborating with local communities and residents for sustainable development	

Information disclosure to a wide range of stakeholders inside and outside the company 1/2

- When disclosing information on sustainable management externally, Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), it is effective to disclose four items: "Governance," "Strategy," "Risk Management," and "Metrics/Targets." Companies listed on the Tokyo Stock Exchange Prime Market are virtually obligated to disclose information based on the TCFD recommendations, so the examples of these companies can be used as reference when preparing for disclosure.
- Of the four items above, companies are expected to work on the disclosure of "governance" and "risk management" first. This is because it provides basic information for stakeholders to understand whether the existing management system incorporates responses to environmental and social sustainability issues and whether the PDCA cycle has been established.[1]
- In the amendments to the "Cabinet Office Ordinance on Disclosure of Corporate Information" promulgated and enforced by the FSA in January 2023, all listed companies are required to disclose "governance" and "risk management." On the other hand, It is desirable for each company to disclose its "strategy" and "metrics/targets" after judging their importance through the framework of "governance" and "risk management".

Column: What is TCFD

- ✓ The TCFD is a private-sector-led working group established by the Financial Stability Board, which consists of financial ministries and central banks from various countries, to consider how to disclose climate-related information and how financial institutions should respond.
- ✓ The TCFD published its final report in June 2017, recommending four items: "Governance," "Strategy," "Risk Management," and "Metrics/Targets," as a framework for disclosure of climate-related information by companies.
- ✓ The information disclosure framework proposed by the TCFD has been incorporated into regulations in many countries, including Japan, and is becoming mandatory. There is also an international trend to disclose information on items other than climate change (human rights, nature, etc.) in line with the four items recommended by the TCFD.

Governance	Risk Management
Methods and structures for the board and management to manage ESG-related risks and opportunities, etc.	Methods for evaluating and prioritizing ESG-related risks, methods for making decisions regarding risks, etc.

Demonstrate incorporation of ESG issues into management structure

Strategy	Metrics/Targets
The impact of ESG-related risks and opportunities on business, strategy and financial planning, and how to respond	Metrics and targets used to assess and manage ESG-related risks and opportunities

Demonstrate specific responses to material ESG issues

(Source) Created based on "Final Report Recommendations of the Task Force on Climate-related Financial Disclosures" (TCFD 2017).

[1] The TCFD recommendations recommend that all companies, regardless of their size, disclose their "governance" and "risk management" in their financial reports. On the other hand, for "strategy" and "metrics/targets", if climate change is not recognized as important to the company, it is recommended that companies in the non-financial group and with annual sales exceeding USD 1 billion equivalent disclosure in media other than financial reports.

Information disclosure to a wide range of stakeholders inside and outside the company 2/2

- On page 69, we explain the main items recommended for disclosure by domestic and overseas disclosure standards and initiatives regarding disclosure items related to "governance" and "risk management," which are the basis for responding to any ESG issue.
- Next, from page 70 onwards, we will explain the main disclosure items related to "strategies" and "metrics/targets" that are recommended for disclosure by domestic and overseas disclosure standards and initiatives for each ESG issue (target items are shown in the table below).
- There are various standards and guidance for information disclosure related to sustainable management, but it is not necessary to seek perfection from the beginning. Proactive information disclosure also shows willingness to take action and should be evaluated both inside and outside the company as a highly transparent and trustworthy company. Therefore, it is important to start with the items that can be disclosed first, and then expand the disclosure step by step.
- The appendix of this guidance provides an overview of the disclosure items indicated in major disclosure standards and guidance in Japan and overseas. Please refer to this as necessary when using this guidance.

Disclosure items	Climate change	Respect for human rights	Food loss/Plastic-free	Biodiversity	Animal welfare/Antibacterial agents	Consumer health and nutrition
Strategies	<ul style="list-style-type: none"> ■ Advanced disclosure Items <ul style="list-style-type: none"> ● Business risks and opportunities and measures to address them 	<ul style="list-style-type: none"> ■ Priority disclosure Items <ul style="list-style-type: none"> ● Basic information on human rights DD ● How to deal with negative impacts 	<ul style="list-style-type: none"> ■ Advanced disclosure Items <ul style="list-style-type: none"> ● Business risks and opportunities and measures to address them 	<ul style="list-style-type: none"> ■ Priority disclosure Items <ul style="list-style-type: none"> ● Policy on conservation and restoration of biodiversity 	<ul style="list-style-type: none"> ■ Advanced disclosure Items <ul style="list-style-type: none"> ● Policy on animal welfare, etc. 	<ul style="list-style-type: none"> ■ Advanced disclosure Items <ul style="list-style-type: none"> ● Health and nutrition Policy ● Explanations and examples of research and development, products, nutrition improvement programs, etc.
Metrics/Targets	<ul style="list-style-type: none"> ■ Priority disclosure Items <ul style="list-style-type: none"> ● GHG emissions 	—	<ul style="list-style-type: none"> ■ Priority disclosure Items <ul style="list-style-type: none"> ● Amount of food waste generated ● Amount of plastic containers and packaging used, Amount of plastic waste generated 	<ul style="list-style-type: none"> ■ Priority disclosure Items <ul style="list-style-type: none"> ● Water intake, water consumption ■ Priority disclosure items <ul style="list-style-type: none"> ● Water intake, water consumption and its proportion in water-stressed areas ● Procurement ratio of raw materials with consideration for biodiversity 	<ul style="list-style-type: none"> ■ Advanced disclosure Items <ul style="list-style-type: none"> ● Procurement ratio of raw materials with consideration for animal welfare and raw materials with reduced use of antibacterial agents 	<ul style="list-style-type: none"> ■ Advanced disclosure Items <ul style="list-style-type: none"> ● Number, percentage and revenue of healthier and more nutritious products

Main disclosure items related to "Governance" and "Risk Management"

- Regarding "governance," using a system chart, we will disclose the method of oversight of ESG-related risks and opportunities by the board of directors, etc., and the role of management in managing ESG-related risks and opportunities.
- Regarding "Risk Management," we disclose how we identify, assess and manage ESG-related risks and how the management of ESG-related risks is integrated into our overall risk management.

Disclosure items	Specific content	What to consider when making more detailed disclosures
Governance	Oversight method by the board of directors	<ul style="list-style-type: none"> ✓ Process and frequency by which the board and/or its committees (e.g., audit committee, risk committee, other committees) are informed on ESG-related matters ✓ Whether the board and/or its committees consider ESG-related matters in reviewing and directing the following items: strategy, major action plans, risk management policies, annual budgets, business plans, performance target setting, implementation and monitoring, major capital expenditures and acquisitions, asset sales ✓ How the board monitors and oversees progress toward goals and targets for addressing ESG-related matters ✓ Structure and Composition of the Board of Directors ✓ How the board ensures that the appropriate competencies and behavioral characteristics are available
	Role of management	<ul style="list-style-type: none"> ✓ Whether ESG-related responsibilities are assigned to management-level positions or committees. If so, whether the responsible management team or committee reports to the board or its committees, and whether that responsibility includes the evaluation and management of ESG-related matters ✓ Relevant organizational structure ✓ Process by which management receives reports on ESG-related matters ✓ How management monitors ESG-related matters (through specific positions and/or management committees)
Risk Management	How to identify and assess ESG-related risks	<ul style="list-style-type: none"> ✓ Methods for assessing the likelihood and impact of risks (qualitative factors, quantitative thresholds, other criteria, etc.)
	How to manage ESG-related risks	<ul style="list-style-type: none"> ✓ How to prioritize ESG-related risks ✓ How we make decisions to mitigate, transfer, accept or control ESG-related risks
	Integrated with overall risk management	—

Main disclosure items regarding Climate change 1/2

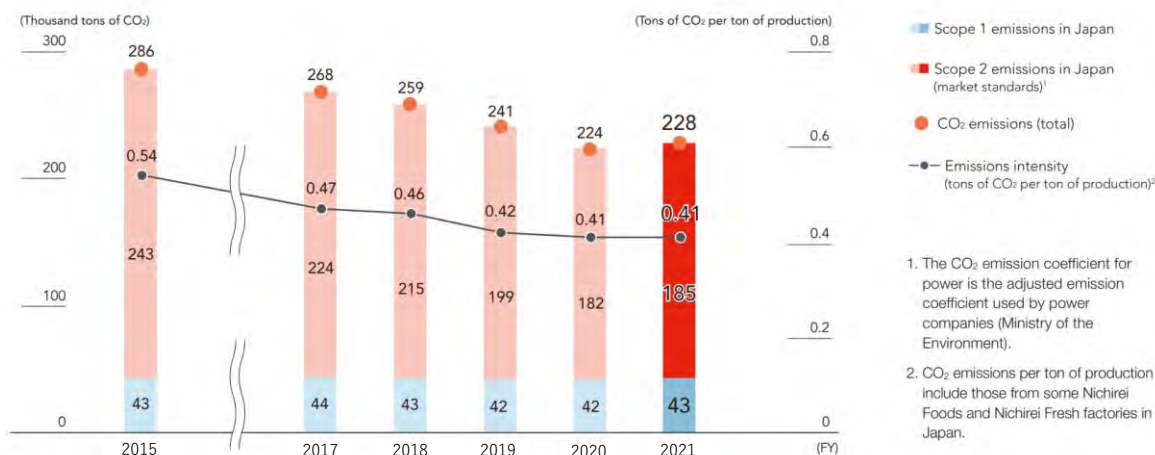
■ GHG Emissions 【Metrics/Target】

- For climate change disclosures, companies are recommended to first disclose their actual annual Scope 1 and Scope 2 GHG emissions and reduction targets. This is because there is a high demand for disclosure from many interested parties, including large companies with whom we do business, and it is also required by international disclosure standards. If possible, we also disclose our actual Scope 3 GHG emissions and reduction targets.
- To make it easier for the reader to understand, we will also explain the calculation method (referenced standards, emission factors used, etc.) and the scope of aggregation (whether only factories are included, whether only domestic offices are included, whether overseas bases are included, etc.). In addition, we will explain the progress of our efforts in light of the emissions reduction targets set by the company, including specific details of our efforts.
- Other disclosure items related to "Metrics and Targets" include energy consumption, breakdown of energy consumption, and percentage of renewable energy.

Column: Information Disclosure on GHG Emissions (example of a large company)

Trends in Nichirei Group CO2 Emissions

In FY2021, we reduced our CO2 emissions by 20.2% compared with FY2015.



The Nichirei Group has set and disclosed the following goals regarding climate change.

- ① 30% reduction in CO₂ emissions in FY2024 (compared to FY2015, domestic scope 1 and 2)
- ② 50% reduction in CO₂ emissions in FY2030 (compared to FY2015, domestic scope 1 and 2)

Changes in CO₂ emissions results are disclosed separately for Scope 1 and Scope 2 (left figure). It also explains the emission factors used in the calculation and supplements regarding the scope of aggregation.

In addition, Scope 3 emissions are also disclosed separately for Category 1 (raw material procurement) and other categories.

Main disclosure items regarding Climate change 2/2

■ Advanced: Business Risks and Opportunities, Countermeasures [Strategy]

- When taking more advanced initiatives regarding climate change, companies are expected to organize their own business risks and opportunities related to climate change and disclose specific actions to address them.
- Climate-related risks are roughly divided into two types: "transition risks" related to the transition to a decarbonized economy and "physical risks" related to physical impacts such as weather disasters. An increasing number of large companies are setting up multiple scenarios that can be assumed in the future and analyzing and evaluating risks and opportunities in order to gain a detailed understanding of the impact of these risks and opportunities on their companies.
- MAFF comprehensively collects and organizes information on climate-related risks and opportunities in the food, agriculture, forestry, and fisheries industries, and prepares a guidebook to support consideration of countermeasures and information disclosure. Please refer to this, as necessary.

⇒ "Information Disclosure on Climate-Related Risks and Opportunities in Food, Agriculture, Forestry and Fisheries (Introduction) [2nd Edition]" (<https://www.maff.go.jp/j/kanbo/kankyo/seisaku/climate/attach/pdf/vusual-89.pdf>)

"Information Disclosure on Climate-Related Risks and Opportunities in Food, Agriculture, Forestry and Fisheries (Practical Version)" (<https://www.maff.go.jp/j/kanbo/kankyo/seisaku/climate/attach/pdf/vusual-96.pdf>)

Column: Information Disclosure on Climate-Related Business Risks/Opportunities and Countermeasures (examples of large companies)

【1.5°C/2°C scenario】

Risks / Opportunities	Classification	Main risks and opportunities that are expected	Impact on business	Timing of impact	Financial impact	Main countermeasures
Transition risk	Regulations	Impact of tougher environmental regulations	Increase in costs of dealing with introduction of carbon pricing	Medium-term	High	<ul style="list-style-type: none"> Set emissions reduction target for each business location Introduce renewable energy sources more widely, invest in energy-saving equipment Reduce plastics in containers and packaging Execute modal shift and improve transportation efficiency Consider introducing ICP (Note 1)
			Increase in costs of dealing with tougher regulations on energy-saving, greenhouse gas emissions, etc.			
	Reputation	Deterioration in reputation among investors and financial institutions in cases where action against climate change is inadequate	—	Short-term	High	<ul style="list-style-type: none"> Set CO₂ emissions reduction target, including emissions up to Scope 3 Proactively disclose information on action against climate change
Opportunities	Products and services	Changes in consumers' purchasing behavior (greater environmental awareness, consideration for sustainability)	Increase in demand for sustainability-conscious products	Short-term	High	<ul style="list-style-type: none"> Continue to conduct survey on status of procured marine resources Handle more environmentally-friendly products and certified products
			Increase in demand for alternative protein sources due to growing demand for low-carbon products	Medium-term	High	
			Increase in demand for marine resources as a low-carbon food source	Long-term	Medium	<ul style="list-style-type: none"> Conduct LCA (Note 2) and proactively disclose information

Timing of impact was divided into short-term (within 3 years), medium-term (3 to 10 years) and long-term (10 to about 20 years).
 (Note 1) ICP: Internal Carbon Pricing
 (Note 2) LCA: Life cycle assessment

As a scenario analysis on climate change, the Nissui Group assumes a world with a temperature rise of 1.5° C/2° C and 4° C, extracts risks and opportunities, evaluates the financial impact in 2030, and considers countermeasures.

Disclosure of the details, business impact, timing of impact, financial impact, and main countermeasures for the extracted risks and opportunities in a table format (Risks and opportunities in the 1.5° C/2° C scenario above).

(Source) Website of Nissui Co., Ltd.

Main disclosure items regarding Respect for human rights 1/2

■ Basic Information on Human Rights Due Diligence 【Strategy】

- When disclosing respect for human rights, it is important to disclose basic information regarding human rights due diligence. For example, we recommend that you disclose the following information. By disclosing the negative impacts and risks that have been identified, the company clearly recognizes the issue of respect for human rights and demonstrates its willingness to address it.
 - Measures taken to embed the human rights policy throughout the company (training for employees and executives, briefings for suppliers, etc.).
 - Identified significant risk areas, identified (prioritized) significant negative impacts or risks.
 - Information on measures to prevent and mitigate risks.
 - Information on effectiveness evaluation.

■ How to deal with negative impacts 【Strategy】

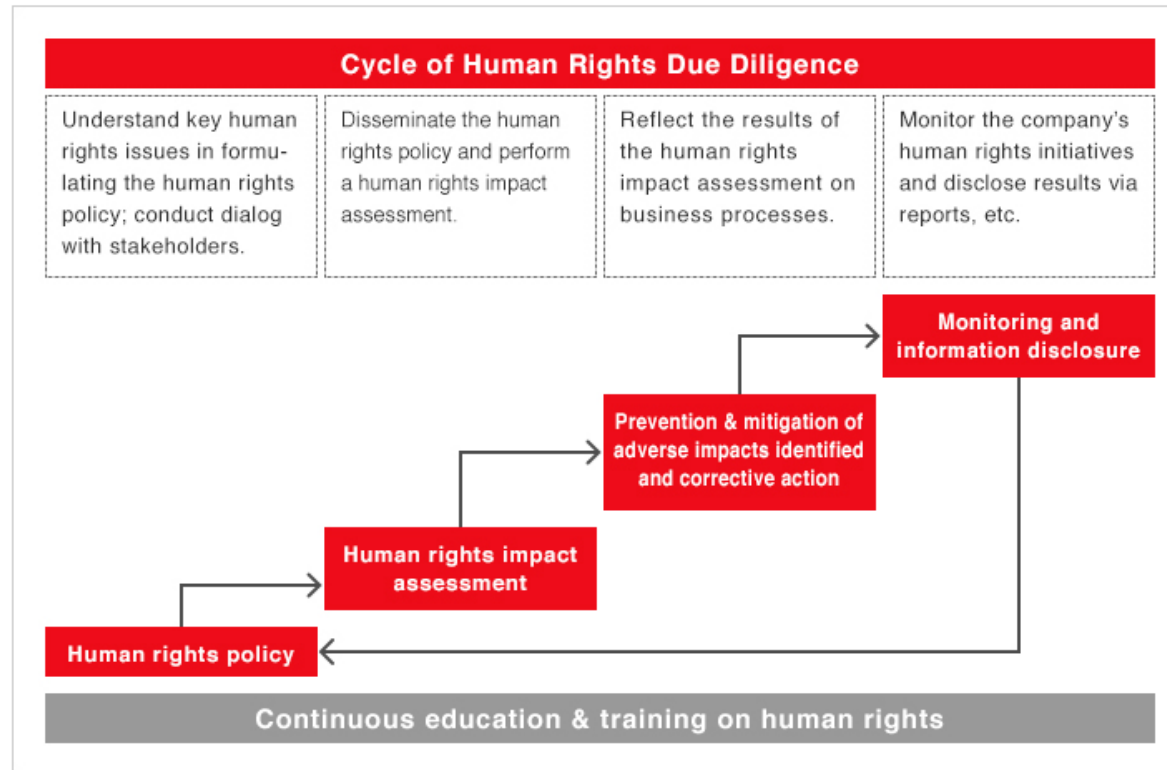
- If there is a risk of causing a significant negative impact on human rights, explain how the negative impact will be addressed. This allows internal and external stakeholders to assess whether their response was appropriate.

■ Metrics/Targets Regarding Efforts to Respect Human Rights 【Metrics/Targets】

- Regarding efforts to respect human rights, disclosure standards and initiatives in Japan and overseas emphasize disclosure items related to "strategy", such as the above basic information on human rights due diligence. For this reason, this guidance focuses on disclosure items related to "strategy." If it is possible to disclose "metrics and targets" related to efforts to respect human rights, it is also recommended to disclose them. Please refer to page 19 of the appendix for examples of indicators and targets related to initiatives to respect human rights.

Main disclosure items regarding Respect for human rights 2/2

Column: Information Disclosure on Respect for human rights (example of a large company)



In addition to announcing the human rights policy it has formulated, the Kirin Group discloses the details of the initiatives implemented for each human rights due diligence cycle.

Conduct country-specific human rights risk assessments for the countries in which we operate and the countries of our suppliers, disclosed that "Myanmar business", "Laos coffee supply chain", and "Chinese soybean supply chain" were the priority targets.

Conduct detailed human rights impact assessments for each priority target and disclose the results and future actions based on the results.

Main disclosure items regarding Food loss／Plastic-free

■ Amount of food waste generated 【Metrics/Targets】

- When disclosing food loss reduction and food waste recycling, it is recommended to disclose the amount of food waste generated (actual value) in the company and related targets. After that, we will explain the progress of the efforts, including the specific details of the efforts, in light of the targets set by the company for reducing the generation of food waste and improving the recycling rate.
- For details on how to measure the amount of food waste generated and how much is recycled, how to implement heat recovery, etc. Please refer to the "Guidelines for Measuring Methods for the Amount of Food Waste Generated and the Implementation Rate of Recycling of Recyclable Food Resources" formulated and published by MAFF.

https://www.maff.go.jp/j/shokusan/recycle/syokuhin/s_houkoku/pdf/28_guide_line.pdf

■ Amount of plastic container and packaging used, Amount of plastic waste generated 【Metrics/Targets】

- Regarding the disclosure of plastic-free and recycling of containers and packaging, it is recommended to disclose metrics and targets that can quantitatively evaluate the progress of the efforts according to the examples shown on pages 40 and 41. For example, the main metrics are the amount of plastic container and packaging used and the amount of plastic waste generated. On top of that, we will explain the progress of our efforts considering the goals set by the company, including specific details of our efforts.

■ Advanced : Business Risks and Opportunities, Countermeasures 【Strategy】

- If you are going one step further with regard to food loss reduction, food waste recycling, Plastic-free, and recycling of containers and packaging, you should disclose your company's business risks and opportunities related to these, as well as specific actions to be taken. Examples of business risks related to plastic-free are shown on the right.

Business risks related to plastic-free (example)	
Policy and law	<ul style="list-style-type: none"> ✓ Changes in regulations and tax systems surrounding plastic manufacturing, sales, use, consumption and disposal. ✓ Import restrictions on plastic waste in China, etc.
Technology	<ul style="list-style-type: none"> ✓ Declining competitiveness of existing products and services due to the emergence of innovative environmentally friendly products and services.
Market	<ul style="list-style-type: none"> ✓ Changes in consumer demand ✓ Shortage of supply of recycled materials and alternative materials due to increased demand
Reputation	<ul style="list-style-type: none"> ✓ Requests from society (requests for 3Rs, use of renewable resources, etc.) ✓ Damage to brand image
Physical (direct) impact	<ul style="list-style-type: none"> ✓ Adverse impact on natural capital such as the ocean due to waste plastics leaked into the environment

(Source) Created based on "Disclosure and Dialogue Guidance for Promoting Sustainable Finance for Circular Economy". (MITI/MOE 2021)

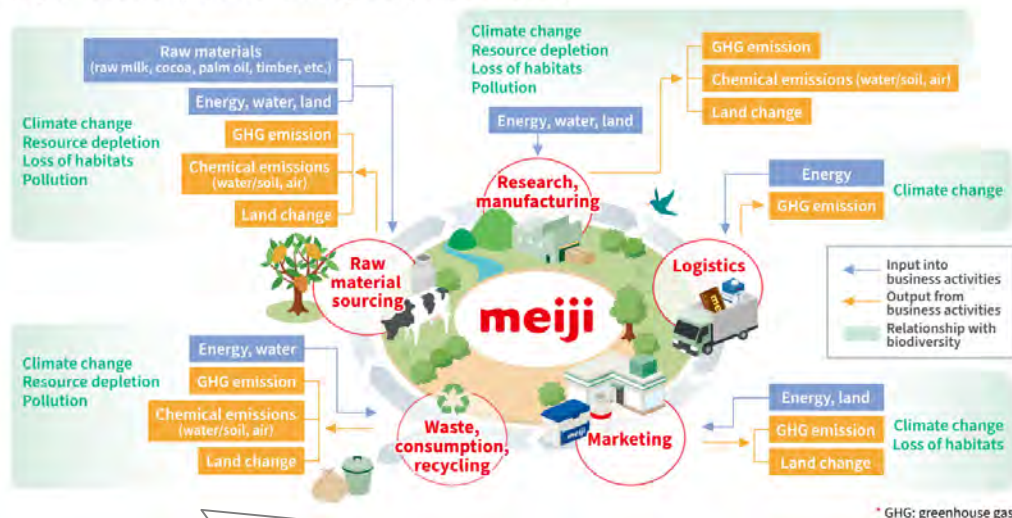
Main disclosure items regarding Conservation of the natural environment and biodiversity 1/3

■ Policy concerning conservation of the natural environment and biodiversity 【Strategy】

- When disclosing information about the conservation of the natural environment and biodiversity, we first understand the relationship between our business activities and the natural environment and biodiversity (the natural environment that our business activities affect and the blessings of nature that we depend on). On top of that, it is recommended to disclose a policy stating that it will work to conserve the natural environment and biodiversity. It is also useful to incorporate a biodiversity perspective into existing environmental policies and procurement standards.
- Some large companies have individual procurement policies for specific raw materials (palm oil, cacao, coffee beans, beef (imported), soybeans (imported), etc.) that are concerned about deforestation. On top of that, there are also examples of companies declaring the promotion of sustainable raw material procurement that takes biodiversity into consideration at raw material production areas.

Column: Disclosure of information related to conservation of the natural environment and biodiversity (example of a large company)

Map of Relationship Between the Meiji Group and Biodiversity



The Meiji Group maps and discloses the relationship between business activities and biodiversity in the supply chain, and promotes initiatives for coexistence with nature

(Source) Integrated Report 2022 (Meiji Holdings Co., Ltd.)

Column: Palm oil procurement policy (example of a large company)

Commitment on important issues

The Fuji Oil Group promises to procure palm oil produced in accordance with the following standards :

- ✓ Zero deforestation in high conservation value (HCV) forests, high carbon stock (HCS) forests and peat swamp forests.
- ✓ Zero new development in peatlands, regardless of depth. In addition, implementation of best management practices in existing palm plantations on peatlands.
- ✓ Zero use of fire for grading land clearing and development.
- ✓ Zero exploitation of indigenous peoples, local people and workers (including contract, temporary and migrant workers).
- ✓ Gradual reduction of greenhouse gas emissions from existing operations.
- ✓ Compliance with all applicable local, national and international laws and regulations.

The Fuji Oil Group has formulated a palm oil procurement policy and promises to aim to procure palm oil produced in accordance with the above standards

(Source) FUJI OIL HOLDINGS INC. website

Main disclosure items regarding Conservation of the natural environment and biodiversity 2/3

■ Water intake, water consumption/etc. 【Metrics/Targets】

- When disclosing sustainable use of water resources, companies are recommended to disclose their water intake and water consumption (actual figures) and their reduction targets. At that time, the breakdown for each water source (tap water, industrial water, groundwater, river water, rainwater, etc.) should be entered so that the location of the impact on water resources can be easily identified. From the perspective of demonstrating improvements in water use efficiency, it is also useful to use water intake and water consumption per product production and sales. After that, companies will explain the progress of their efforts considering the reduction targets they have set, including specific details of their efforts.

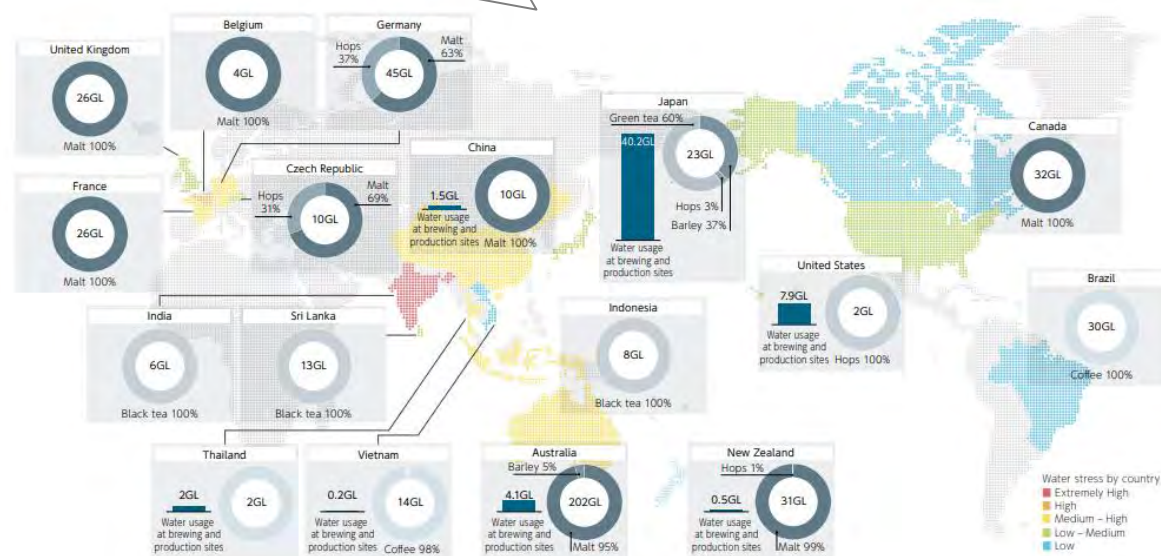
■ Advanced : Water intake, water consumption and its ratio in water-stressed areas 【Metrics/Targets】

- Water resources are unevenly distributed on the earth, and the situation differs from region to region. Areas where droughts are already occurring or areas where droughts are expected to occur in the future require more intensive efforts.
- Therefore, when taking one step further toward the sustainable use of water resources, companies investigate the water stress (the degree of tight water supply and demand) at their business bases and raw material production areas. Based on the survey, it is also recommended to disclose the ratio of water intake and water consumption in areas with high water stress to the total.

Column: Disclosure of information on sustainable use of water resources (example of a large company)

The Kirin Group discloses water stress by country where its manufacturing bases and agricultural raw material production areas are located, water consumption at manufacturing bases (bar graph), and water consumption at agricultural raw material production areas (pie graph)

Although it is not easy to deal with water resource issues upstream in the value chain, started by understanding water risks and water stress and understanding the issues. Agriculture, which produces raw agricultural products, uses more water than the manufacturing bases of our group companies. For this reason, the Kirin Group is working not only to save water and reuse water resources at its manufacturing sites, but also to conserve water sources in agricultural raw material production areas



The survey of agricultural raw materials covered barley, malt, and hops that Kirin Brewery and Lion sourced, and green tea, black tea, and coffee that Kirin Beverage sourced (data for Kirin Brewery and Kirin Beverage are as of 2021; Lion data is as of 2018). Water stress due to drought is based on the country score for Baseline Water Stress used in WRI Aqueduct.

(Source) Environmental Report 2022 (Kirin Holdings Company, Limited)

Main disclosure items regarding Conservation of the natural environment and biodiversity 3/3

■ Advanced: Procurement ratio of raw materials that considers the natural environment and biodiversity/etc. 【Metrics/Targets】

- If each company advances efforts to conserve and restore biodiversity one step further, depending on what is exemplified on pages 43-46, it is recommended to disclose indicators that can quantitatively evaluate the progress of initiatives and their targets. For example, one of the main indicators is the procurement ratio of raw materials that meet third-party certification or equivalent standards for specific raw materials (percentage of weight and value in total procurement of raw materials). (See Appendix page 26 for examples of other disclosed metrics)

Column: Examination of a disclosure framework by the Taskforce on Nature-related Financial Disclosures (TNFD)

- ✓ In June 2021, the Taskforce on Nature-Related Financial Disclosures(TNFD), an international initiative led by the private sector, was launched to consider frameworks for managing and disclosing nature-related risks for companies and financial institutions. Since the launch of TNFD, there has been increasing attention to the disclosure of nature-related information, and after September 2023, when the final framework is announced, information disclosure by companies will be in full swing.
- ✓ TNFD follows the basic concept of TCFD, a framework for disclosure of climate-related financial information. Specific disclosure recommendations are generally the same as those of the TCFD, but some (underlined items in the table below) will require items specific to the natural field.

Governance	Strategy	Risk management	Metrics/Targets
Disclose the organization's governance of nature-related dependencies, impacts, risks and opportunities	Disclose the actual and potential impact of nature-related risks and opportunities on business, strategy and financial planning	Disclose how nature-related dependencies, impacts, risks and opportunities are identified, assessed and managed	Disclose the metrics and targets used to assess and manage nature-related dependencies, impacts, risks and opportunities
A. Board oversight of nature-related dependencies, impacts, risks and opportunities B. Management's Role in Assessing and Managing Nature-Related Dependencies, Impacts, Risks and Opportunities	A. Nature-related dependencies, impacts, risks and opportunities identified over the short, medium and long term B. Impact of nature-related risks and opportunities on business, strategy and financial planning C. Strategy resilience considering various scenarios D. <u>Organizational interactions with low-integrity ecosystems, high-importance ecosystems, or water-stressed areas</u>	A. Processes to identify and assess nature-related dependencies, impacts, risks and opportunities B. Processes for managing nature-related dependencies, impacts, risks and opportunities C. How processes to identify, assess and manage nature-related risks are integrated into the organization's overall risk management D. <u>An approach to identify the sources of views used in value creation that may create nature-related dependencies, impacts, risks and opportunities</u> E. <u>How stakeholders, including rights holders, are involved in assessing and responding to nature-related dependencies, impacts, risks and opportunities</u>	A. Metrics for assessing and managing nature-related risks and opportunities in line with strategy and risk management processes B. Metrics for assessing and managing direct, upstream and depending on the situation, downstream dependencies and impacts on nature C. Goals and performance for managing nature-related dependencies, impacts, risks and opportunities D. <u>How nature and climate goals align, contribute to each other, and have trade-offs</u>

Main disclosure items regarding Consideration for animal welfare, restraint on the use of antibacterial agents

■ Advanced: Animal Welfare Policy 【Strategy】

- In order to respond to the growing interest in animal welfare and antimicrobial issues in society, in terms of disclosing considerations for animal welfare and restraining the use of antibacterial agents, it is recommended that the company first disclose a policy stating that it will work to improve animal welfare and restrain the use of antibacterial agents. At that time, it is required to clarify the scope of the policy (target regions, livestock species, products).

■ Advanced: Procurement ratio of raw materials that consider animal welfare and that use less antibacterial agents 【Metrics/targets】

- In the case of taking more advanced measures regarding consideration for animal welfare and restraining the use of antibacterial agents, It is recommended to disclose indicators and targets that can be used to evaluate the progress of initiatives according to the examples shown on pages 48 and 49. For example, one of the main indicators is the ratio of animal welfare-friendly raw material procurement (percentage of weight and value in total amount of raw material procured).
- For especially important raw materials, it is useful to set indicators and targets for each raw material, such as eggs, pork, milk and dairy products (see appendix page 27 for examples of other disclosure indicators).

Column: Information disclosure regarding animal welfare

Animal welfare from Co-op Shizenha

Livestock animals are not just "food", they are sensitive creatures. From birth to death, it is important to aim for a breeding environment that minimizes stress and satisfies the animal's inherent behavioral demands, allowing them to live a healthy and comfortable life.

"Co-op Shizenha" has been promoting efforts that are kind to living things, so we sympathize with this idea and work on animal welfare in cooperation with producers.

A production system that prioritizes efficiency has caused diseases such as BSE, bird flu, swine fever (CSF) in countries around the world and threatening human lives. Following the example of Europe and the United States, which utilizes this fact as a lesson, "Co-op shizenha" aims to raise livestock in a healthy and comfortable environment that minimizes stress as much as possible and satisfies their inherent behavioral demands, From those birth until those death.

The most important thing is to create a friendly and comfortable breeding environment for cows.

Designated producers manage their breeding daily according to their own animal welfare* standards.

The cows of "four-leaf-grazing producer-designated milk" are basking in the sunlight, exercising, and spending their time in a relaxed environment on a richly green pasture.

* A concept originating in Europe that allows livestock such as cows, pigs, and chickens to live in a stress-free environment while they are alive.

Co-op Shizenha (Co-op Natural Business Federation, a consumer cooperative association) introduces the concept of animal welfare and the products of producers who take animal welfare into consideration in product guides and websites.

(Source) Co-op Shizenha website

Main disclosure items regarding Consumer health and nutrition

■ Advanced: Health and nutrition policy 【Strategy】

- In terms of disclosure on health and nutrition, the company should first disclose a policy that recognizes health and nutrition issues in society as a business issue and declares that it will provide healthier and more nutritionally conscious foods.

■ Advanced: Explanations and examples of research and development, products, nutrition improvement programs, etc. 【Strategy】

- We will explain what we are working on based on our company policy to solve health and nutrition problems. Specifically, explanations and case studies of healthier and more nutritionally conscious products, the status of research and development, nutritional improvement and food education activities for employees and local communities are recommended.

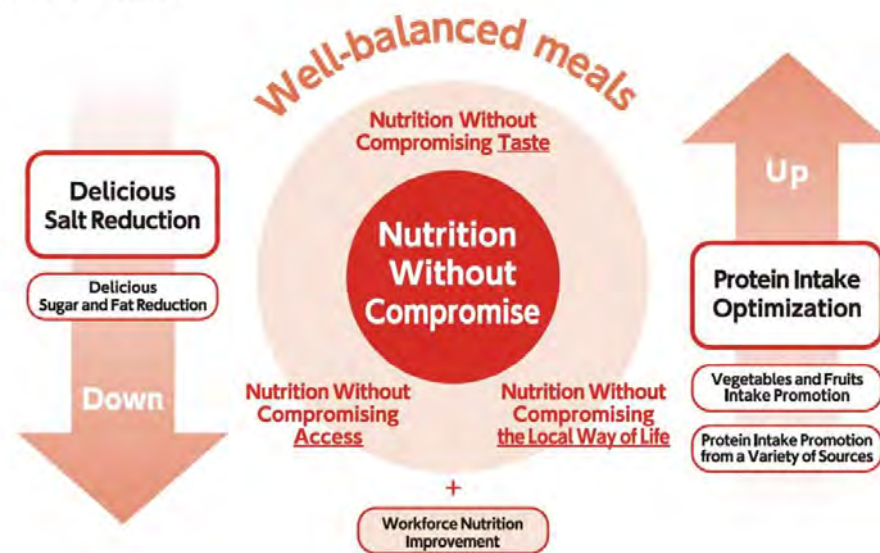
■ Development: Number, percentage, revenue/etc. of healthier and more nutritionally conscious products 【Metrics/Targets】

- Regarding health and nutrition initiatives, it is recommended to disclose metrics that can quantitatively evaluate the progress and their targets. For example, number of new healthier and more nutritionally conscious products introduced, percentage of total products, revenue, etc. (See Appendix pages 28-29 for examples of other disclosed metrics). After that, explain the progress of the initiative in light of the goals set by the company.
- When disclosing these metrics/targets, it is recommended that you also explain what criteria you are working with for "healthy" products.

Column: Disclosure of information on health and nutrition initiatives (example of a large company)

- ✓ The Ajinomoto Group has set a "Nutrition Commitment" to help extend the healthy life expectancy of 1 billion people by 2030. Disclosed that they are working on the basic stance of "uncompromising nutrition" that does not compromise on the three points of deliciousness, access to food, and local dietary habits.
- ✓ Setting "delicious salt reduction" and "enhancement of protein intake" as the two most important initiatives, introduce innovations provided by the company, examples of specific products, and local activities.

Our Approach to Nutrition

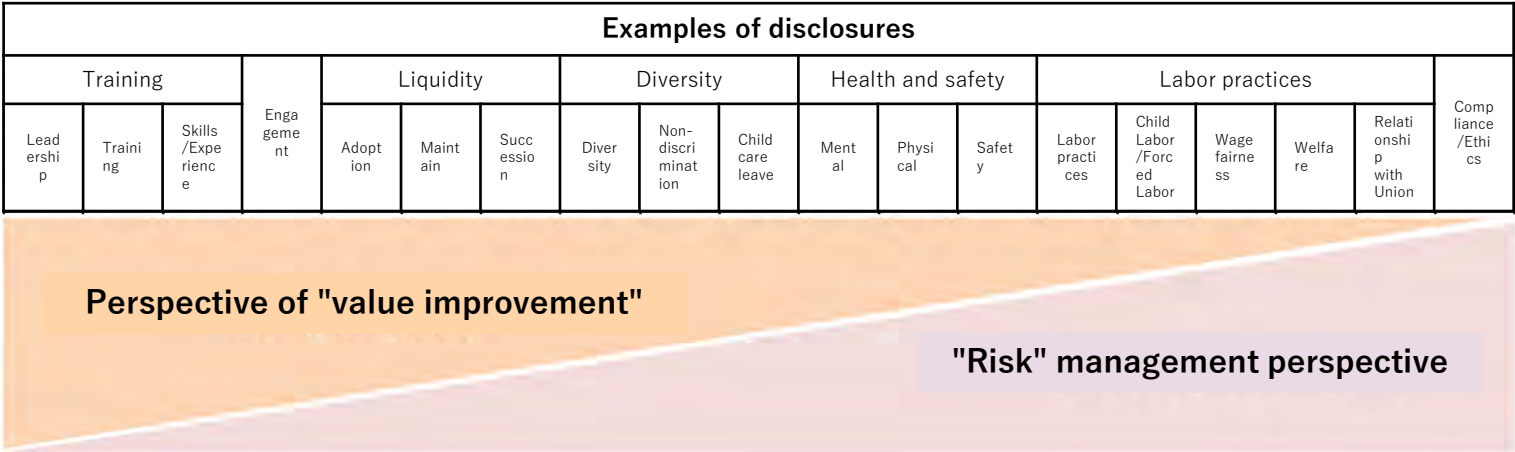


(Source) Ajinomoto Co., Inc. "ASV Report 2022"

Reference: Growing interest in information disclosure regarding Human capital

- In recent years, it has been recognized that intangible assets (quantity and quality of human and intellectual capital, business models, etc.) are the source of a company's competitive advantage and the driving force for sustainable improvement of corporate value. For this reason, there is a growing awareness that investment in human capital is not a cost, but a strategic investment that directly leads to growth and enhancement of corporate value.
- Strategic investment in human capital (equivalent to people among people, goods, and money) is also important in implementing "sustainable management" that seeks to achieve both social sustainability and corporate growth and profitability. Considered as an element, "Visualization of human capital" has become indispensable for companies and managers to inform the outside of the company about their investment in human capital and human resource strategies in an easy-to-understand manner.
- Under these circumstances, in August 2022, the Cabinet Secretariat's "Non-Financial Information Visualization Study Group" formulated and announced the "Guidelines for Visualizing Human Capital." This guideline is a guide that comprehensively organizes the direction of responding to the disclosure of human capital information (including how to use existing standards and guidelines). In addition, the guidelines exemplify the six themes of human capital development, employee engagement, liquidity, diversity, health and safety, and compliance and labor practices. Beside according to the guidance, it is necessary to ensure a balance between original initiatives, indicators, and targets in line with the company's unique strategies and business models and matters that are expected to be disclosed from the perspective of comparability with other companies. Furthermore, It is important to be conscious of clarity in the explanation, whether it is disclosure from the perspective of value improvement or disclosure from the perspective of risk management.
- In addition, the Cabinet Office Ordinance on Disclosure of Corporate Information, etc., promulgated and enforced by the Financial Services Agency in January 2023, was revised. Under this policy, human resource development policies, including ensuring the diversity of human resources, policies for improving the internal environment, and the contents of indicators related to these policies, etc., are required items to be included in the annual securities report. As a result, each company will be required to describe the above content in the columns for sustainability information ("strategy" and "indicators and targets" sections) from fiscal years ending on or after March 31, 2023.

Hierarchy of human capital disclosure items (image)



(Source) "Human Capital Visualization Guidelines" (Non-Financial Information Visualization Study Group 2022)

V. Postscript

Postscript (Aiming to realize a sustainable food system)

- As various issues surrounding the sustainability of the global environment and society pile up, it can be said that the role of sustainable management by the food industry and food companies is extremely important.
- At the United Nations Food Systems Summit [1] held in September 2021, in order to achieve the United Nations Sustainable Development Goals (SDGs) toward 2030, a shift to a sustainable food system was deemed essential. Furthermore, it has been pointed out that food companies, from SMEs to multinationals, play an important role in realizing a sustainable society.
- Under the "Strategy MIDORI" formulated in May 2021, the Ministry of Agriculture, Forestry and Fisheries aims to boost the productivity potential and sustainability in the agriculture, forestry, fisheries and food industries with innovation. For this reason, we are implementing various measures necessary to build a sustainable food system. We will continue to support various efforts by food companies, including the creation of this guidance.
- However, maintaining and improving the sustainability of the global environment and society cannot be achieved by individual efforts or efforts by some food companies alone. Various entities involved in the food value chain, from raw material production to processing, distribution, and consumption, need to work together.
- Furthermore, through measures based on the Strategy MIDORI, efforts are being made in the fields of agriculture, forestry and fisheries to achieve zero CO2 emissions and reduce the use of chemical pesticides and chemical fertilizers. In order to ensure that the value created by these efforts is delivered to consumers, efforts to achieve sustainable management in the food industry, which connects production sites and actual consumers, will play an even more important role in the future.
- The first step that food companies take toward sustainable management will have ripple effects throughout the food value chain and leading to the realization of a sustainable food system. We hope that this guidance will be of assistance in such efforts.

To everyone who cooperated in the creation of this guidance

- In preparing this guidance, as part of the "FY2022 Commissioned Research Project on Target Setting and Disclosure Methods for ESG Initiatives by Food Companies" (MAFF), the following experts, food companies, etc. , provided various advice, responded to hearings, provided case examples, etc. Thank you again.

< Experts > (Honorific titles are omitted, listed in alphabetical order) * Affiliation and title as of March 16, 2023

Ogura chisa	CEO of Meros Consulting Ltd
Kishigami Arisa	Director of the Japan Sustainable Investment Forum (NPO) Specialist, Sustainable Investment of Chronos Sustainability Ltd
Suehiro Takanobu	Research & Consulting Unit Assistant Manager (Sustainable Business) of Mizuho Financial Group, Inc
Nagai Asako	Managing Director of Business for Social Responsibility (BSR)
Fujiwara Keiichirou	CSV Strategy Department Senior Advisor of Kirin Holdings Company, Limited
Matsuoka Shinji	Executive Officer General Manager of Sustainability Promotion Department Meiji Holdings Co., Ltd
Matsubara Minoru	Executive Officer Responsible Investment Department of Resona Asset Management Co., Ltd
Mizuguchi Takeshi	President of Takasaki City University of Economics

< Food companies, etc >

Japan Food Industry Association and member companies

MAFF "Public-Private Roundtable for Sustainable Food Production and Consumption" ESG/Human Rights Working Group Members

* In addition, we received cooperation from multiple food companies in conducting individual hearings and providing examples.

