

Guidance on Sustainable Management for Food Industry (Overview)

March 2023

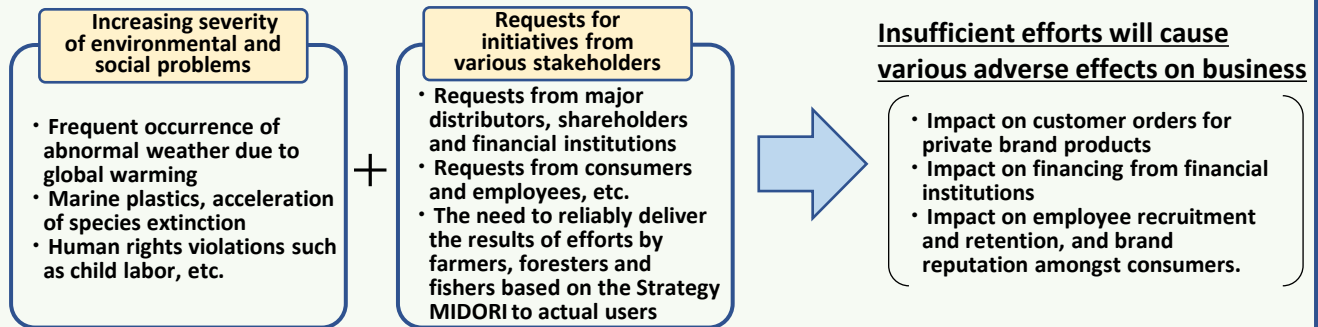
Finance Office, New Business and Food Industry Policy Division (MAFF)

1 Aim of this Guidance

The purpose of this Guidance is to promote sustainability-conscious management (sustainable management) of food companies, including small and medium-sized companies. In order to achieve this purpose, guidance has been established for each environmental and social issue that is closely related to food companies, which includes target setting, specific measures to implement commitments, and information disclosure methods.

2 Background for requiring sustainable management, important points in initiatives, etc.

① Background of the demand for sustainable management



② Important points for working on sustainable management

[Part 1] Management buy-in and commitment

- Formulation of a “Sustainable Management Policy” with management involvement
- Management leads initiatives and decides on the allocation of management resources (people, goods, money), etc.

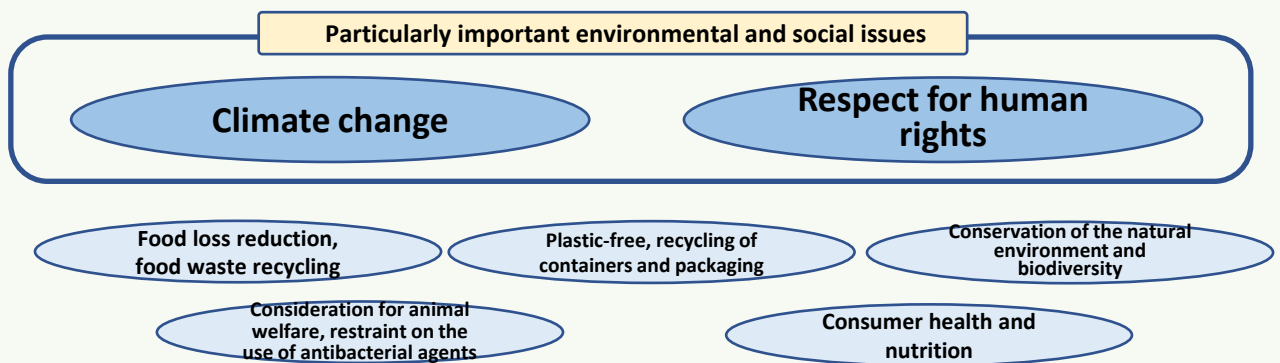
[Part 2] Identify and tackle important issues

- Identify important issues to be addressed by the company from environmental and social issues
- Continue to review and update action taken for the selected important issues, etc.

[Part 3] Establish a department in charge and collaborate with other departments

- Establishing a specialized department in charge of planning and operation of various measures necessary for promoting initiatives
- Ensuring cooperation with other internal departments such as raw material procurement, manufacturing, sales, finance, IR, etc., (establishment of internal committees, etc.).

③ Environmental and social issues closely related to food companies



3 Target setting and method of action for each ESG issue

Key issues	Goals and standards (examples)	Action (example)
Climate change	Reduction of greenhouse gases (GHG) → 46% reduction compared to 2013 in 2030, net 0 in 2050	<ul style="list-style-type: none"> Calculation of GHG emissions (understanding the current situation) Reduction of GHG emissions through energy conservation and use of renewable energy
Respect for human rights	Building a system to ensure respect for human rights	<ul style="list-style-type: none"> Conversion to certified raw materials, formulation of human rights policy, implementation of human rights surveys, establishment of complaint desks
Food loss reduction, etc.	Reduce food loss and improve recycling rate → Halve food loss by 2030 compared to 2000	<ul style="list-style-type: none"> Review the 1/3 rule and improve demand forecasting Utilization of feed and fertilizer, fuel utilization by methane fermentation

Note: "Targets and standards" and "Effort method" are partial excerpts (examples) from the guidance and are not limited to the above.

4 Methods of information disclosure by issue

① Basic Approach to Information Disclosure (common to all issues)

In response to requests from financial institutions and consumers, information disclosure related to environmental and social issues, etc. is being disclosed mainly by large food companies.

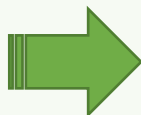
Furthermore, SMEs who are business partners of these large food companies are increasingly required to disclose (response to questionnaires, etc.) the status of their responses to environmental and social issues.

Small and medium-sized companies must first respond to questionnaires from business partners.

Disclosure of information to business partners

【Expected effect】

- Strengthen relationships with business partners (stable transactions, etc.)



Disclosure of information to a wide range of stakeholders

【Expected effect】

- Acquire new customers, secure human resources, etc.

Disclosure methods in line with the TCFD (climate change disclosure rules) are effective

② Disclosure by issue

Key issues	Metrics/Target (example) (current status and target)	Strategy (impact on business and countermeasures)
Climate change	<p>【Current situation】</p> <ul style="list-style-type: none"> GHG emissions <p>【Target】</p> <ul style="list-style-type: none"> GHG emission reduction target value (such as ●% by year ●) 	<p>【Impact on business】</p> <ul style="list-style-type: none"> Increase in response costs due to tightening of regulations (risk) Increase in demand for low-carbon products (opportunity) <p>【counter-measure】</p> <ul style="list-style-type: none"> Introduction of energy-saving equipment, utilization of renewable energy such as solar power generation, methanization of food waste and use for power generation, etc.
Respect for human rights	<p>【Current situation】</p> <ul style="list-style-type: none"> Number of in-house training sessions, occurrence of human rights issues, existing in-house system for respecting human rights <p>【Target】</p> <ul style="list-style-type: none"> Establishment of a system to ensure respect for human rights (plans for strengthening, etc.) 	<p>【Impact on business】</p> <ul style="list-style-type: none"> Reduced reputation by consumers, business partners, etc. (Lost opportunity to receive orders for private brand food products, etc.)(risk) Securing employment (opportunities) <p>【counter-measure】</p> <ul style="list-style-type: none"> Formulation of human rights policy, implementation of human rights surveys, establishment of complaint desk, conversion to certified raw materials(Palm oil(RSPO), Aquaculture(ASC), etc.)

👉 In addition to the above, it is recommended to disclose governance related to sustainable management (role of management, involvement, etc.) and risk management (identification of sustainable issues, method of prioritizing efforts, etc.).