

# Second-Party Opinion

## Ajinomoto Co., Inc.

### Sustainability Linked-Financing Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Ajinomoto Co., Inc. Sustainability Linked-Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 (SLBP) and Sustainability-Linked Loan Principles 2023 (SLLP).

- Selection of Key Performance Indicators** The Ajinomoto Co., Inc. Sustainability Linked-Financing Framework includes two KPIs: i) Absolute scope 1 and 2 GHG emissions reduction rate; and ii) Scope 3 GHG emissions reduction rate per volume unit (see Table 1). Sustainalytics considers the KPIs to be very strong based on materiality and relevance, scope of applicability, clear and consistent methodology, which is externally defined and ability to be externally benchmarked.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Ajinomoto Co., Inc.'s sustainability strategy. Sustainalytics further considers SPT 1 to be highly ambitious and SPT 2 to be ambitious based on past performance, peer performance and alignment with science-based trajectories.
- Bond and Loan Characteristics** Ajinomoto Co., Inc. will link the financial characteristics of the sustainability-linked bonds and loans to the achievement or non-achievement of the SPTs. The financial characteristic adjustments, such as an interest rate step-up, donations or purchase of emission credits, will be triggered in the case that: i) any of the SPTs has not been achieved by its target observation date; or ii) the verification of the KPI performance against the SPTs has not been provided and made public in a timely manner as set out in the legal documentation of the relevant financing. Ajinomoto Co., Inc. will specify information related to KPIs, SPTs and changes in financial characteristics in the relevant issuance documentation.
- Reporting** Ajinomoto Co., Inc. commits to reporting annually on its progress of the KPIs on its website. Ajinomoto Co., Inc. also commits to disclosing relevant information that may affect the KPI, such as changes in its sustainability strategies and implementation of action plans. The reporting commitments are aligned with the SLBP and SLLP.
- Verification** Ajinomoto Co., Inc. commits to having external limited assurance conducted against each SPT for each KPI at least once a year. The verification commitments are aligned with the SLBP and SLLP.

<b>Evaluation Date</b>	May 16, 2023
<b>Issuer Location</b>	Tokyo, Japan

The SPTs contribute to the following SDGs:



## Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute scope 1 and 2 GHG emissions reduction rate (%)	FY2018	Very Strong	SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 50% by FY2030 from a FY2018 baseline	Highly Ambitious
KPI 2: Scope 3 GHG emissions reduction rate per volume unit (%)	FY2018	Very Strong	SPT 2: Reduce scope 3 GHG emissions intensity by 24% by FY2030 from a FY2018 baseline	Ambitious

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## Scope of Work and Limitations

Ajinomoto Co., Inc. (“Ajinomoto Co.” or the “Company”) has engaged Sustainalytics to review the Ajinomoto Co., Inc. Sustainability Linked-Financing Framework dated May 2023 (the “Framework”) and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2020 (SLBP)<sup>1</sup> and Sustainability-Linked Loan Principles 2023 (SLLP).<sup>2</sup>

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles 2020, as administered by the International Capital Market Association (ICMA), and the Sustainability-Linked Loan Principles 2023, as administered by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA).

As part of this engagement, Sustainalytics exchanged information with various members of Ajinomoto Co.’s management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. The Company’s representatives have confirmed that:

- (1) They understand it is the sole responsibility of Ajinomoto Co. to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with the Framework.<sup>4</sup> Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Ajinomoto Co.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.<sup>5</sup> The measurement and reporting of the KPIs is the responsibility of the issuer or borrower. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the Company has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks<sup>6</sup> against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

<sup>1</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: [Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/sustainability-linked-bond-principles-2020-100620.pdf)

<sup>2</sup> The Sustainability-Linked Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>4</sup> The Ajinomoto Co., Inc. Sustainability Linked-Financing Framework is available on the Company’s website at: <https://www.ajinomoto.com/sustainability/finance.php>

<sup>5</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

<sup>6</sup> Benchmarks refer to science-based benchmarks.

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## Introduction

Ajinomoto Co., Inc. ("Ajinomoto Co." or the "Company") is a food company, established in 1909 and headquartered in Tokyo, Japan. As a leader in amino acids, Ajinomoto Co. operates globally in three business segments: i) seasonings and foods, ii) frozen foods and iii) healthcare and others. The Company has an annual revenue of JPY 1.36 billion and employs approximately 34,000 people on a consolidated basis as of 31 March 2023.

The Company intends to issue sustainability-linked bonds and loans whose financial characteristics such as interest rate, donation or purchase of emission credits are tied to the achievement of the SPTs for two KPIs: i) Absolute scope 1 and 2 GHG emissions reduction rate, and ii) Scope 3 GHG emissions reduction rate per volume unit.

Ajinomoto Co. has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the SLBP and SLLP. The Framework will be published in a separate document.<sup>7</sup>

Tables 1 and 2 below describe the KPIs and SPTs defined by the Company.

**Table 1: KPIs**

KPI	Description
KPI 1: Absolute scope 1 and 2 GHG emissions reduction rate (%)	<p>The KPI is defined as the percentage reduction of the absolute amount of scope 1 and 2 GHG emissions across Ajinomoto Co. and its other group companies that are subject to the Ajinomoto Group Environment Management as defined in the Company's Environmental Regulations as of 31 March 2022.</p> <p>Scope 1 emissions are direct emissions from sources that are owned or controlled by the Company, such as burning fuel, industrial processes and vehicle use. Scope 2 emissions are indirect emissions stemming from the consumption of purchased electricity, heat and steam.</p> <p>Scope 1 and 2 emissions are measured in tonne CO<sub>2</sub>e (tCO<sub>2</sub>e) and calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard, and the International Energy Agency (IEA)'s CO<sub>2</sub> emission factors published annually.<sup>8,9</sup></p>
KPI 2: Scope 3 GHG emissions reduction rate per volume unit (%)	<p>The KPI is defined as the percentage reduction of scope 3 GHG emissions per volume unit. The KPI is calculated by dividing the absolute scope 3 GHG emissions in tCO<sub>2</sub>e (excluding category 11 emissions) by production volume in tonnes in a given year.</p> <p>The KPI boundary includes all the categories of scope 3 emissions, except for category 11 (use of sold products), resulting from the entire value chains of Ajinomoto Co. and its other group companies that are subject to the Ajinomoto Group Environment Management as defined in the Company's Environmental Regulations as of 31 March 2022.</p> <p>The KPI is calculated in line with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, and the IEA's CO<sub>2</sub> emission factors published annually.<sup>10</sup></p>

<sup>7</sup> The Ajinomoto Co., Inc. Sustainability Linked-Financing Framework is available on the Company's website at: <https://www.ajinomoto.com/sustainability/finance.php>

<sup>8</sup> The Greenhouse Gas Protocol, "A Corporate Accounting and Reporting Standard", at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

<sup>9</sup> International Energy Agency (IEA), "Emission Factors 2022", (2022), at: <https://www.iea.org/data-and-statistics/data-product/emissions-factors-2022>

<sup>10</sup> The Greenhouse Gas Protocol, "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", at: [https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard\\_041613\\_2.pdf](https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf)

Table 2: SPTs and Past Performance<sup>11</sup>

KPI	2018 (base line)	2019	2020	2021	2022	SPT 2023	SPT 2024	SPT 2025	SPT 2026	SPT 2027	SPT 2028	SPT 2029	SPT 2030
KPI 1: Absolute scope 1 and 2 GHG emissions reduction rate (%) as compared to the baseline year FY2018	-	-9%	-11%	-18%	NA <sup>12</sup>	-25%	-29%	-32%	-36%	-39%	-43%	-46%	-50%
KPI 2: Scope 3 GHG emissions reduction rate per volume unit (%) as compared to the baseline year FY2018	-	+2.7%	+6.2%	+0.9%	NA <sup>13</sup>	-5%	-7%	-10%	-13%	-16%	-18%	-21%	-24%

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of the Ajinomoto Co., Inc. Sustainability Linked-Financing Framework with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the Ajinomoto Co., Inc. Sustainability Linked-Financing Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020 and the Sustainability-Linked Loan Principles 2023.



#### Selection of Key Performance Indicators

##### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of Ajinomoto Co.'s business on environmental or social issues; and ii) to what extent the KPI is applicable.

Sustainalytics has taken a combined view towards assessing the relevance, materiality and scope of applicability of KPI 1, absolute scope 1 and 2 GHG emissions reduction rate (%), and KPI 2, scope 3 GHG emissions reduction rate per volume unit (%), as the KPIs collectively address the issue of GHG emissions across the Company.

Sustainalytics considers KPI 1 and KPI 2 to be material and relevant given the following:

- Sustainalytics' ESG Risk Rating identifies "Carbon – Own Operations" as a material ESG issue (MEI) for Ajinomoto Co.<sup>14</sup> Sustainalytics' risk rating report on the Food Products industry identifies emissions from global food operations as a climate change risk.<sup>15</sup>
- The Sustainability Accounting Standards Board (SASB) identifies energy management as a relevant topic for the processed food sector in the food and beverages industry.<sup>16</sup> According to the SASB, energy

<sup>11</sup> For KPI 2, the figures for past performance (2019-2021) and SPT 2023-2029 were revised in July 2023.

<sup>12</sup> Given that Ajinomoto Co.'s FY2022 ended on 31 March 2023, validated data for FY2022 is not available.

<sup>13</sup> Ibid.

<sup>14</sup> Sustainalytics' Carbon – Own Operations MEI refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of scope 3 GHG emissions.

<sup>15</sup> Sustainalytics' Industry Report on Food Products (2022)

<sup>16</sup> Sustainability Accounting Standards Board (SASB), "Materiality Finder – Processed Foods", at: [https://www.sasb.org/standards/materiality-finder/find/?industry\[0\]=FB-PF--902614](https://www.sasb.org/standards/materiality-finder/find/?industry[0]=FB-PF--902614)

efficiency in production and distribution can mitigate exposure to volatile energy costs and limit a company's contribution to direct and indirect GHG emissions.

- As part of its materiality analysis conducted in FY2022, Ajinomoto Co. identified climate change adaptation and mitigation as a key material item.<sup>17</sup> The KPIs' underlying GHG emissions reduction target to achieve net zero by 2050 presents the Company's overarching climate target to tackle its total carbon footprint, including scope 1, 2 and 3 emissions.

The KPIs cover scopes 1, 2 and 3 GHG emissions, which apply to 89% of the Company's operations in FY2021. KPI 1 covers scope 1 and 2 GHG emissions, which represented 13% of the Company's total GHG emissions (scopes 1, 2 and 3) in FY2021. KPI 2 covers the Company's scope 3 emissions from upstream and downstream value chains (excluding category 11), which represented nearly 87% of its scope 3 GHG emissions and 76% of total GHG emissions in FY2021. Therefore, in terms of applicability, KPI 1 and KPI 2 collectively address the large majority of the Company's total GHG emissions, and as such, they jointly have a high scope of applicability.

Sustainalytics considers the KPIs to have a high scope of applicability and positively views Ajinomoto Co.'s efforts to influence emissions and environmental performance beyond its direct control.

### KPI Characteristics

In its assessment of a KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology, ii) whether it follows an externally recognized definition, iii) whether the KPI is a direct measure of the issuer or borrower's performance on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.<sup>18</sup>

Sustainalytics considers Ajinomoto Co.'s definition and methodology to calculate KPI 1 and KPI 2 to be clear and consistent with its historical disclosure on scope 1, 2, and 3. Both KPI 1<sup>19</sup> and KPI 2<sup>20</sup> follow the GHG Protocol's Corporate Reporting Standards and the IEA's CO<sub>2</sub> emission factors, published annually. Additionally, both KPIs support benchmarking against external emission reduction trajectories, such as those developed by the Science Based Target Initiative (SBTi). Sustainalytics considers KPI 1 and KPI 2 to be directly linked to Ajinomoto Co.'s environmental performance on the material issue of GHG emissions.

### Overall Assessment

Sustainalytics considers KPI 1 and KPI 2 to be very strong given that they: i) are direct measures of Ajinomoto Co.'s climate performance and speak to a material environmental issue; ii) have a high scope of combined applicability; iii) follow a clear and consistent methodology in line with external references; and iv) support benchmarking against science-based GHG emissions reduction trajectories.

KPI	Strength of KPI			
KPI 1: Absolute scope 1 and 2 GHG emissions reduction rate (%)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Scope 3 GHG emissions reduction rate per volume unit (%)	Not Aligned	Adequate	Strong	Very strong

<sup>17</sup> Ajinomoto Group, "Sustainability Data Book 2022", at:

[https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en\\_all\(2\).pdf](https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en_all(2).pdf)

<sup>18</sup> External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

<sup>19</sup> The Greenhouse Gas Protocol, "A Corporate Accounting and Reporting Standard revised edition", at:

<https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

<sup>20</sup> The Greenhouse Gas Protocol, "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", at:

[https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard\\_041613\\_2.pdf](https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf)



## Calibration of Sustainability Performance Targets

### Alignment with Ajinomoto Group's Sustainability Strategy

Ajinomoto Co. has set the following SPTs for its KPIs:

- SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 50% by FY2030 from a FY2018 baseline;
- SPT 2: Reduce scope 3 GHG emission intensity by 24% by FY2030 from a FY2018 baseline.

Sustainalytics considers the SPTs to be aligned with Ajinomoto Co.'s sustainability strategy. Please refer to Section 2 for an analysis of the credibility of the sustainability strategy. The Company has identified GHG emissions reduction as a material topic per its FY2022 materiality assessment and has undertaken initiatives to reduce its emissions. These initiatives include a strategy for long-term efforts to turn the overall product life cycle carbon neutral, use fuels with a lower emission factor, reduce the energy used for production and transportation, and disclose information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The SPTs are aligned with the Ajinomoto Group's decarbonization target to achieve net zero scope 1, 2 and 3 GHG emissions across its value chain by FY2050. In addition, Ajinomoto Group aims to achieve 100% conversion to renewable energy sources for electricity by FY2050.<sup>21</sup>

### Strategy to Achieve the SPTs

#### SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 50% by FY2030 from a FY2018 baseline

Ajinomoto Co. intends to achieve the SPT through the following strategies:

- Promoting energy-saving activities: The Company intends to promote energy savings by cutting down on its energy consumption, curbing peak energy consumption, and optimizing operating conditions of its processes and equipment.
- Switching to fuels with low GHG emissions: The Company intends to reduce its GHG emissions by switching from heavy oil to natural gas, and from coal to biomass.
- Use of renewables: The Company intends to integrate renewable energy in its operations by procuring energy from renewable energy power plants (e.g. hydropower in Brazil, wind power in Japan) and purchasing renewable energy certificates. The Company has also on-site photovoltaic installations at several of its operating sites.
- Introduction of lower energy-consumption processes: The Company intends to promote energy savings by integrating low energy devices such as energy-efficient refrigeration, air conditioning devices, LED lighting and inverter motors.

#### SPT 2: Reduce scope 3 GHG emission intensity by 24% by FY2030 from a FY2018 baseline

Ajinomoto Co. intends to achieve the SPT through the following strategies:

- Internal carbon-pricing<sup>22</sup>: The Company intends to utilize internal carbon-pricing systems to promote measures, such as alternative fuels and renewable energy.
- Implementation of biocycle: The Company intends to use nutritionally rich by-products (co-products), which are produced in the circular amino acid fermentation process (known as biocycle), as fertilizer. Replacing chemical-based fertilizers with the by-products is expected to reduce GHG emissions emanating from chemical fertilizer production and support sustainable agriculture.

<sup>21</sup> Ajinomoto Group, "Sustainability Data Book 2022", at:

[https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en\\_all\(2\).pdf](https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en_all(2).pdf)

<sup>22</sup> According to TCFD, internal carbon pricing is an internally developed estimated cost of carbon emissions, which can be used as a planning tool to help identify revenue opportunities and risks, as an incentive to drive energy efficiencies to reduce costs, and to guide capital investment decisions.

TCFD, "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures", at:

<https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Annex-Amended-121517.pdf>

- On-site ammonia production: The Company intends to enable on-site production of ammonia, a raw material required in the fermentation process, by setting up small-scale ammonia plants in the consumption area, which will reduce costs and the environmental impact of transportation.
- Shift to renewable energy: The Company aims to shift towards utilization of 100% renewable energy sources such as solar power, wind power, hydroelectric power, biomass, and geothermal power in their business activities by the year 2050, as part of its RE100 commitments.<sup>23</sup> This shall be achieved through a combination of procurement and self-generation of renewable energy.
- Management of fluorocarbons: The Company aims to eliminate all chlorofluorocarbons and hydrofluorocarbons by FY2030 from its production chain. The Company intends to switch to natural refrigerants or refrigerants with a global warming potential lower than 150 when installing new or upgrading existing equipment.
- Initiatives in logistics: The Company aims to establish a sustainable and efficient logistics solution through initiatives such as joint logistics with other food manufacturers and use of railways and ships for transportation. In addition, the Company intends to keep reducing its cargo logistics per-unit energy use by at least 1% per year (on a five-year average basis) in line with the Energy Conservation Act in Japan.
- Provision of magnetic material: The Company has developed new magnetic materials semiconductors that will contribute greatly to reduce electricity consumption and associate CO<sub>2</sub> emissions.
- Reduction of nitrogen emissions of livestock: The Company intends to reduce the amount of nitrogen compounds in the manure by 20-30% by adjusting the amino acid balance in the animal feed. This will help manage N<sub>2</sub>O and life cycle CO<sub>2</sub>.

#### **Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory; ii) how the SPT compares to targets set by peers; and iii) how the SPT compares with science.<sup>24</sup>

Ajinomoto Co. has selected 2018 as the baseline year for the SPTs, which has been approved by the SBTi. Sustainalytics recognizes that the market favours setting a more recent baseline. However, Sustainalytics notes Ajinomoto Co.'s intention to ensure consistency with its company-wide sustainability strategy and with the SBTi-validated targets.

**SPT 1:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science.

- Ajinomoto Co.'s absolute scope 1 and 2 emissions decreased by an average linear annual rate of 5.9% between 2018 and 2021. To achieve the SPT, the Company needs to reduce its scope 1 and 2 GHG emissions by 50% by 2030 compared to the 2018 baseline, implying an average linear annual reduction of approximately 4.2%. Sustainalytics notes the overall reduction trend in emissions required to achieve the SPT and the continuous efforts needed to maintain with the Company's past/ current performance. Given the above, Sustainalytics considers the SPT to be aligned with the downward trend observed in the Company's past performance.
- Based on a comparative assessment against eight peer companies in the food products industry and processed food and beverages industry, SPT 1 compares favourably to targets set by its peers. Of the eight peers, there is only one peer with a more ambitious target, while the Company's targets are aligned with those set by two peers and remain above the other five peers' targets. Therefore, Sustainalytics considers the SPT to be above peer performance.
- For the comparison with recognized science-based decarbonization trajectories, Sustainalytics notes that the SPT is aligned with the SBTi's 1.5°C scenario, using an absolute contraction approach.<sup>25</sup> This model requires a minimum annual GHG emissions reduction rate of 4.2% in absolute terms.<sup>26</sup> Sustainalytics notes

<sup>23</sup> RE100, "About us", at: <https://www.there100.org/about-us>

<sup>24</sup> Contextual benchmarks that indicate the alignment of targets with ecosystem boundaries

<sup>25</sup> The absolute contraction approach is a method for companies to set emissions reduction targets that are aligned with the global annual emissions reduction rate that is required to meet the 1.5°C or well-below 2°C targets.

<sup>26</sup> Science Based Targets initiative (SBTi), "SBTi Corporate Manual, Version 2.0", (2021), at: <https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual.pdf>

that Ajinomoto Co.'s SPT fulfils this minimum reduction rate and is aligned with the Company's own target validated by the SBTi under the 1.5°C scenario in 2020.

**SPT 2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science.

- The reduction rate of Ajinomoto Co.'s scope 3 emission per volume unit increased by an average linear annual rate of 0.3% between 2018 and 2021. To achieve the SPT, the Company needs to reduce scope 3 emissions per volume unit by 24% by 2030 compared to 2018, implying an average linear annual reduction of approximately 2%. Given the above, Sustainalytics considers SPT's performance to be above the trend observed in the Company's past performance.
- Based on a comparative assessment against five peer companies in the food products industry and processed food and beverages industry, SPT 2 compares favourably to targets set by peers. Of the five peers, there is only one peer with a more ambitious target, while the Company's targets are aligned with those set by one peer and remain above the other three peers' targets. Therefore, Sustainalytics considers the SPT to be above peer performance.
- For the comparison with recognized science-based decarbonization trajectories, Sustainalytics notes that the SPT is aligned with Ajinomoto Co.'s own target validated by the SBTi under the well-below 2°C scenario in 2020.<sup>27</sup>

### Overall Assessment

Sustainalytics considers the SPTs to align with Ajinomoto Co.'s sustainability strategy and SPT 1 to be highly ambitious given that it: i) presents a continuous improvement aligned with the Company's past performance; ii) is above peer performance; and iii) is aligned with the SBTi's 1.5°C scenario.

Sustainalytics considers SPT 2 to be ambitious given that it: i) is above the Company's past performance; ii) is above peer performance; and iii) is aligned with the SBTi's well-below 2°C scenario.

SPT	Ambitiousness of SPT			
<b>SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 50% by FY2030 from a FY2018 baseline</b>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
<b>SPT 2: Reduce scope 3 GHG emission intensity by 24% by FY2030 from a FY2018 baseline</b>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



### Bond and Loan Characteristics

Ajinomoto Co. intends to issue sustainability-linked bonds and obtain sustainability-linked loans under the Framework. The financial characteristics of the sustainability-linked bonds and loans will be linked to the achievement or non-achievement of the SPTs, as defined in the Framework. Sustainalytics notes that the financial characteristic adjustments may include an interest rate step-up, donations or purchase of emission credits in the case that: i) any of the SPTs has not been achieved by its target observation date; or ii) the verification of the KPI performance against the SPTs has not been provided and made public in a timely manner as set out in the legal documentation of the relevant financing. Sustainalytics recognizes that if the KPI cannot be calculated, observed or reported as per the definition in the instrument's legal documentation, the financing characteristic adjustments will be triggered as if the target was not met.

Ajinomoto Co. will select one of the three options (interest rate step-up, donations or purchase of emission credits) at the timing of a bond issuance or a loan execution. Only when purchase of emission credits is selected but could not be executed due to the market condition, the Company may switch to donations equivalent to the

<sup>27</sup> Sustainalytics has verified the alignment of SPT 2 with the SBTi's well-below 2°C scenario from the Ajinomoto Co.'s SBTi validation report shared confidentially.

amount of pre-defined purchase amount of emission credits. In terms of donations, they will be directed to public-interest incorporated associations or foundations, international organizations, municipality-accredited non-profit organizations, local governments, or other similar entities. The Company will choose the recipients of the donation, including the Ajinomoto Foundation, based on the Ajinomoto Group's social contribution activity policy. Sustainalytics encourages Ajinomoto Co. to disclose the organizations that will receive the donation when selected. The Company has also confirmed to Sustainalytics that it will ensure its donations do not pose any direct or indirect environmental or social harm. For loans, if the SPT is achieved, an interest rate step-down may be applied.

The Company intends to specify the characteristics of sustainability-linked financing, such as relevant KPIs, SPTs, step-up or step-down rates, amount of donations and amount of emission credit purchases, as applicable, in the form of disclosure documents or contract documents formulated at each time of financing.

Sustainalytics recognizes that the relevant financial characteristics of the sustainability-linked bonds and loans are aligned with the SLBP and SLLP, while noting that it does not opine on the adequacy of the magnitude of the financial penalty.



## Reporting

Ajinomoto Co. commits to reporting on its progress of the KPIs and SPTs annually, which will be made available on the Company's website. The Company further commits to disclosing relevant information to enable investors to monitor the level of ambition of the SPTs, including the progress of the KPIs against the respective SPTs, formation or update of the sustainability strategies and implementation of action plans. The reporting commitments are aligned with the SLBP and SLLP.



## Verification

The Company commits to having an independent external verifier provide a limited assurance statement on the KPIs annually. The verification assurance report will be published on the Company's website by the target observation date. The verification commitments are aligned with the SLBP and SLLP.

# Section 2: Assessment of Ajinomoto Group's Sustainability Strategy

## Credibility of Ajinomoto Group's Sustainability Strategy

Ajinomoto Co. and its group companies operate business based on Ajinomoto Group Creating Shared Value (ASV) as its fundamental management policy.<sup>28</sup> ASV was first articulated in the 2014 Mid-Term Management Plan, which is derived from the expression of creating shared value (CSV).<sup>29</sup> Based on ASV, the Company pursues the creation of social and economic values by addressing social issues through business activities.<sup>30</sup> As part of its corporate vision, the Company sets out two business outcomes by 2030: i) help extend the healthy life expectancy of 1 billion people; and ii) reduce its environmental impact by 50% while improving business performance.<sup>31</sup> In addition, Ajinomoto Co. has selected and sorted materiality items since FY2015. The current 11 materiality items were identified in FY2018 and have been reviewed annually since then. They include climate change adaptation and mitigation, contribution to a circular economy, sustainable material sourcing and conservation of water resources.<sup>32</sup>

To achieve environmental outcomes based on the materiality items, on top of scope 1, 2, and 3 emissions reduction, the Company has committed to zero plastic waste by FY2030, 100% sustainable procurement of key raw materials by FY2030 and 80% water

<sup>28</sup> Ajinomoto Co., Inc., "ASV Report 2022: Integrated Report", (2022), at:

[https://www.ajinomoto.co.jp/company/en/ir/library/annual/main/08/teaserItems1/01/linkList/0/link/ASV%20Report%202022\\_E\\_A4.pdf](https://www.ajinomoto.co.jp/company/en/ir/library/annual/main/08/teaserItems1/01/linkList/0/link/ASV%20Report%202022_E_A4.pdf)

<sup>29</sup> Ajinomoto Co., Inc., "What is ASV?", at: [https://www.ajinomoto.com/aboutus/asv\\_concept](https://www.ajinomoto.com/aboutus/asv_concept)

<sup>30</sup> Ibid.

<sup>31</sup> Ajinomoto Co., Inc., "ASV Report 2022: Integrated Report", (2022), at:

[https://www.ajinomoto.co.jp/company/en/ir/library/annual/main/08/teaserItems1/01/linkList/0/link/ASV%20Report%202022\\_E\\_A4.pdf](https://www.ajinomoto.co.jp/company/en/ir/library/annual/main/08/teaserItems1/01/linkList/0/link/ASV%20Report%202022_E_A4.pdf)

<sup>32</sup> Ibid.

consumption reduction per unit of production volume by FY2030 compared with FY2005.<sup>33</sup> In addition, the Company joined the RE100 initiative in 2020 and committed to converting electricity to 100% renewable energy sources by 2050.<sup>34</sup> The main measures to achieve the above environmental targets include converting to fuels with lower GHG emission factors, promoting energy conservation, reducing plastic usage and converting to mono-material packaging materials, contributing to social implementation of recycling in countries and regions where the Company operates, establishing traceability of procurement, promoting the purchase of certified products and optimizing production processes.<sup>35</sup>

Regarding disclosure, Ajinomoto Co. has been implementing a scenario analysis of climate change impacts on its business since FY2018 and has developed a framework for quantitative risk assessments based on the TCFD recommendations.<sup>36</sup> The Company also discloses information in accordance with the SASB and the Global Reporting Initiative (GRI).<sup>37</sup> Furthermore, the Company has achieved the highest CDP score A for three consecutive years since 2020 in recognition of factors such as its environmental initiatives and disclosure.<sup>38</sup>

Regarding the structure to ensure its sustainability commitments, the Company has established the Sustainability Advisory Council as a subordinate body of the board of directors, as well as the Sustainability Committee as a subordinate body of the Executive Committee in April 2021.<sup>39</sup> The board of directors seeks advice from the Sustainability Advisory Council, which comprises internal officers, outside officers and outside experts from various disciplines, such as academia, millennials and generation Z, emerging countries and ESG investors. The Sustainability Committee and the Sustainability Development Department formulate the Company's sustainability strategy and report directly to the CEO.<sup>40</sup>

Sustainalytics considers Ajinomoto Co. to have a strong sustainability strategy and considers that sustainability-linked bonds and sustainability-linked loans will further support the Ajinomoto Group's sustainability strategy.

### Environmental and Social Risk Management

Sustainalytics recognizes that Ajinomoto Co.'s defined targets are impactful but acknowledges that achieving the SPTs may bear environmental and social risks related to: i) resource use,<sup>41</sup> ii) land use and biodiversity,<sup>42</sup> iii) human rights in the supply chain and human capital,<sup>43,44</sup> and iv) product governance.<sup>45</sup> Sustainalytics comments below on the Company's ability to mitigate potential risks:

- **Resource Use:** The Company has implemented a process for responsible raw material sourcing encompassing human rights and environmental due diligence in the supply chain.<sup>46</sup> In addition, the Company aims to reduce raw material losses and commits to reducing food losses and waste generated throughout the product life cycle by 50% by FY2050 compared to FY2018.<sup>47</sup> Between FY2018 and FY2021, the Company reported a 23% reduction in food losses and waste generated.

<sup>33</sup> Ibid.

<sup>34</sup> Ajinomoto Co., Inc., "The Ajinomoto Group Joins RE100, an International Environmental Initiative", (2020), at: [https://www.ajinomoto.com/cms\\_wp\\_ajmnt\\_global/wp-content/uploads/pdf/RE100.pdf](https://www.ajinomoto.com/cms_wp_ajmnt_global/wp-content/uploads/pdf/RE100.pdf)

<sup>35</sup> Ajinomoto Co., Inc., "ASV Report 2022: Integrated Report", (2022), at:

[https://www.ajinomoto.co.jp/company/en/ir/library/annual/main/08/teaserItems1/01/linkList/0/link/ASV%20Report%202022\\_E\\_A4.pdf](https://www.ajinomoto.co.jp/company/en/ir/library/annual/main/08/teaserItems1/01/linkList/0/link/ASV%20Report%202022_E_A4.pdf)

<sup>36</sup> Ajinomoto Co., Inc., "Sustainability Data Book 2022", (2022), at:

[https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en\\_all\(2\).pdf](https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en_all(2).pdf)

<sup>37</sup> Ajinomoto Co., Inc., "Sustainability", at: <https://www.ajinomoto.com/sustainability/>

<sup>38</sup> Ajinomoto Co., Inc., "Ajinomoto Co., Inc. Named to CDP's Climate Change A List for Three Consecutive Years", (2022), at

[https://www.ajinomoto.com/cms\\_wp\\_ajmnt\\_global/wp-content/uploads/pdf/2022\\_12\\_13E.pdf](https://www.ajinomoto.com/cms_wp_ajmnt_global/wp-content/uploads/pdf/2022_12_13E.pdf)

<sup>39</sup> Ajinomoto Co., Inc., "Sustainability Approach and Structure", at: <https://www.ajinomoto.com/sustainability/sustainability.php>

<sup>40</sup> Ibid.

<sup>41</sup> Sustainalytics' Resource Use MEI focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

<sup>42</sup> Sustainalytics' Land Use and Biodiversity MEI focuses on how companies manage the impact of their suppliers' operations on land, ecosystems and wildlife.

<sup>43</sup> Sustainalytics' Human Rights – Supply Chain MEI focuses on a company's management of fundamental human rights issues occurring in its supply chain.

<sup>44</sup> Sustainalytics' Human Capital MEI focuses on the management of risks related to scarcity of skilled labour, as well as labour relations, such as non-discrimination, working hours and minimum wages.

<sup>45</sup> Sustainalytics' Product Governance MEI focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

<sup>46</sup> Ajinomoto Co., Inc., "Sustainability Data Book 2022", (2022), at:

[https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en\\_all\(2\).pdf](https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en_all(2).pdf)

<sup>47</sup> Ibid.

To optimize resources in the use of packaging material, the Company complies with ISO 18600 and the Japanese Industrial Standards Z 0130.<sup>48,49</sup>

- Land Use and Biodiversity:** The Company promotes sustainable management practices in its operations and complies with ISO 14001 to manage its environmental systems.<sup>50</sup> In FY2022, the Company identified sustainable land use, biodiversity impact, deforestation control and animal welfare as specific examples of material issues.<sup>51</sup> In 2021, the Company revised its Group Shared Policy on Animal Welfare with the aim to improve livestock husbandry management and establish a symbiotic relationship with the animals in its supply chain.<sup>52</sup> In 2022, the Company revised its Group Shared Policy for Suppliers, which requires suppliers and contractors to minimize detrimental impacts on the natural environment and ecosystem.<sup>53</sup> In addition, the Company promotes procuring certified raw materials, establishing traceability and developing technologies for effective utilization, and substituting animal-derived raw materials. Furthermore, the Company contributes to sustainable agriculture through the use of nutrient-rich by-products generated during the amino acid production and aims to achieve 100% sustainable procurement of priority raw materials by 2030.<sup>54</sup>
- Human Rights in the Supply Chain and Human Capital:** Ajinomoto Co. has developed the Group Shared Policy on Human Rights and human rights due diligence process for its employees, suppliers and community relations.<sup>55,56</sup> The Company's Group Shared Policy on Human Rights is committed to the Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact and adheres to the guidelines for the UN Guiding Principles on Business and Human Rights. The Group Shared Policy on Human Resources<sup>57</sup> emphasizes non-discrimination based on race, ethnicity, nationality, religion, belief, origin, sex, age, disability and LGBT identity, and the Group Shared Policy for Suppliers prohibits the use of child labour and forced labour in its operations.<sup>58</sup>
- Product Governance:** The Company adheres to quality control measures, including inspections, appraisals, quality audits, information sessions and surveys to maintain its products and services standards based on the Group Shared Policy on Quality.<sup>59,60</sup> The Company has established a comprehensive system of quality assurance (ASQUA) that ensures strict control over product quality, including factors such as freshness, temperature, and moisture, during storage and transportation throughout the product lifecycle.<sup>61</sup> ASQUA is based on ISO 9001 and abides by the principles of Hazard Analysis and Critical Control Points (HACCP), good manufacturing practices (GMP) focused on people, premises, processes, products and procedures and the Company's policies aimed at maintaining the quality in Ajinomoto Group's business operations.<sup>62,63</sup>

<sup>48</sup> International Organization for Standardization (ISO), "ISO 18601:2013 – Packaging and the environment", at: <https://www.iso.org/standard/55869.html>

<sup>49</sup> Japan Packaging Institute, "Development of JIS Z 0130 Series of Standards on Packaging and the Environment", (2016), at: [https://www.jpi.or.jp/english/pdf/report2016\\_en02.pdf](https://www.jpi.or.jp/english/pdf/report2016_en02.pdf)

<sup>50</sup> International Organization for Standardization (ISO), "ISO 14001 – Environment Management Systems", at: <https://www.iso.org/iso-14001-environmental-management.html>

<sup>51</sup> Ajinomoto Co., Inc., "Sustainability Data Book 2022", (2022), at: [https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en\\_all\(2\).pdf](https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en_all(2).pdf)

<sup>52</sup> Ajinomoto Co., Inc., "Group Shared Policy on Animal Welfare", (2021), at: <https://www.ajinomoto.com/sustainability/agp/group-shared-policy-on-animal-welfare.php>

<sup>53</sup> Ajinomoto Co., Inc., "Group Shared Policy for Suppliers", (2022), at: <https://www.ajinomoto.com/sustainability/agp/suppliers.php>

<sup>54</sup> Ajinomoto Co., Inc. reviews priority raw materials every year in line with changes in business and global environmental conditions. As of FY2021, the Company designates palm oil, paper, sugarcane, coffee, beans, beef and soybeans as priority raw materials.

<sup>55</sup> Ajinomoto Co., Inc., "Group Shared Policy on Human Rights", (2022), at: <https://www.ajinomoto.com/sustainability/agp/human-rights.php>

<sup>56</sup> Ajinomoto Co., Inc., "Sustainability Data Book", (2022) at: [https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en\\_all\(2\).pdf](https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en_all(2).pdf)

<sup>57</sup> Ajinomoto Co., Inc., "Group Shared Policy on Human Resources", (2018), at: <https://www.ajinomoto.com/sustainability/agp/human-resources.php>

<sup>58</sup> Ajinomoto Co., Inc., "Group Shared Policy for Suppliers", (2018), at: <https://www.ajinomoto.com/sustainability/agp/suppliers.php>

<sup>59</sup> Ajinomoto Co., Inc., "Group Shared Policy on Quality", (2017), at: <https://www.ajinomoto.com/sustainability/agp/quality.php>

<sup>60</sup> Ajinomoto Co., Inc., "Sustainability Data Book", (2022) at: [https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en\\_all\(2\).pdf](https://www.ajinomoto.co.jp/company/en/ir/library/databook/main/09/teaserItems1/0/linkList/02/link/SDB2022en_all(2).pdf)

<sup>61</sup> Ibid.

<sup>62</sup> International Organization for Standardization (ISO), "ISO 9001 and related standards – Quality Management Systems", at: <https://www.iso.org/iso-9001-quality-management.html>

<sup>63</sup> U.S. Food and Drug Administration, "HACCP Principles & Application Guidelines", (2022), at: <https://www.fda.gov/food/guidance-regulation-food-and-dietary-supplements/hazard-analysis-critical-control-point-haccp#:~:text=HACCP%20is%20a%20management%20system,consumption%20of%20the%20finished%20product.>

In addition to the above, Sustainalytics notes that it has found no evidence of any major environmental or social controversies related to the Company. Overall, Sustainalytics considers that Ajinomoto Co. has strong management programmes and policies in place to mitigate environmental and social risks that could arise from its operations.

## Section 3: Impact of the SPTs

### Importance of a sustainable food supply chain globally and in Japan

GHG emissions from the food system account for approximately 21-37% of the global GHG emissions,<sup>64</sup> two-thirds of which are from land use and agricultural production, while the remaining one-third is from the food supply chain (food processing, transportation, packing and retails) and post-retail processes, including food waste.<sup>65</sup> In addition, food-related cold chains mainly use hydrofluorocarbons (HFCs) as refrigerants, which have a global warming potential (GWP) of more than 1,000 times that of CO<sub>2</sub>.<sup>66</sup> Food supply cold chains account for about 20% of the world's HFC use.<sup>67</sup> Under the Montreal Protocol, which is an environmental protocol aimed at protecting the ozone layer, signatory countries agreed to reduce the production and consumption of HFCs by 80-85% by the late 2040s, mainly through a shift to natural refrigerants with a low GWP.<sup>68</sup>

In Japan, the agriculture, forestry and fisheries industry produced 51 million tonnes (4.4%) of GHG emissions, and the food and drink manufacturing industry produced 19 million tonnes (1.7%) out of 1.15 billion tonnes of the country's total GHG emissions in FY2020.<sup>69,70</sup> In 2021, the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) has formulated a green food system strategy, "Measures for Achievement of Decarbonization and Resilience with Innovation (MeaDRI)",<sup>71</sup> to ensure a sustainable and stable food supply for the future, as well as carbon neutrality in these industries. Under the strategy, the MAFF aims to reduce CO<sub>2</sub> emissions from the agriculture, forestry and fisheries industry to approximately 14.82 million tonnes by FY2030 from 16.59 million tonnes in FY2013, and to achieve net zero CO<sub>2</sub> emissions by 2050.<sup>72</sup> The MAFF has also set FY2030 targets for the food industry, including halving business-related food loss (against FY2000) and achieving 100% sustainable procurement of imported raw materials.<sup>73</sup>

Based on the above context, Sustainalytics is of the opinion that Ajinomoto Co.'s focus and efforts in the scope 1, 2 and 3 GHG emissions reduction are expected to positively contribute to reducing the global and Japanese food industries' environmental footprint and support the ambitions of the Paris Agreement.

<sup>64</sup> Intergovernmental Panel on Climate Change (IPCC), "Special Report on Climate Change and Land", (2019), at: <https://www.ipcc.ch/srccl/>

<sup>65</sup> Our World in Data, "How much of global greenhouse gas emissions come from food?", (2021), at:

<https://ourworldindata.org/greenhouse-gas-emissions-food>

<sup>66</sup> United Nations Environment Programme (UNEP), "GWP, CO<sub>2</sub>(e) and the Basket of HFCs", at:

[https://wedocs.unep.org/bitstream/handle/20.500.11822/26866/7878FS03GWPCO\\_EN.pdf?sequence=1&isAllowed=y](https://wedocs.unep.org/bitstream/handle/20.500.11822/26866/7878FS03GWPCO_EN.pdf?sequence=1&isAllowed=y)

<sup>67</sup> United Nations Environment Programme (UNEP), "Sustainable Cold Chain and Food Loss Reduction", at:

[https://ozone.unep.org/system/files/documents/MOP31-Sustainable-HL\\_Briefing\\_Note.pdf](https://ozone.unep.org/system/files/documents/MOP31-Sustainable-HL_Briefing_Note.pdf)

<sup>68</sup> United Nations Environment Programme (UNEP), "About Montreal Protocol", at:

<https://www.unep.org/ozonaction/who-we-are/about-montreal-protocol>

<sup>69</sup> Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF), "The Global Warming Prevention Plan of the Ministry of Agriculture, Forestry and Fisheries of Japan", at: <https://www.maff.go.jp/j/kanbo/kankyo/seisaku/climate/taisaku/attach/pdf/top-24.pdf>

<sup>70</sup> Ministry of the Environment of Japan (MoE), "Greenhouse Gas Emissions (Actual) for FY2020", at:

<https://www.env.go.jp/content/900445398.pdf>

<sup>71</sup> Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF), "Strategy for Sustainable Food Systems, MeaDRI", at:

[https://www.maff.go.jp/e/policies/env/env\\_policy/meadri.html](https://www.maff.go.jp/e/policies/env/env_policy/meadri.html)

<sup>72</sup> Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF), "The Global Warming Prevention Plan of the Ministry of Agriculture, Forestry and Fisheries of Japan", at: <https://www.maff.go.jp/j/kanbo/kankyo/seisaku/climate/taisaku/attach/pdf/top-24.pdf>

<sup>73</sup> Ibid.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Ajinomoto Co., Inc. Sustainability Linked-Financing Framework are expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
KPI 1: Absolute scope 1 and 2 GHG emissions reduction rate (%)	7. Affordable and Clean Energy  9. Industry, Innovation and Infrastructure	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.  7.3 By 2030, double the global rate of improvement in energy efficiency.
KPI 2: Scope 3 GHG emissions reduction rate per volume unit (%)		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

### Conclusion

Ajinomoto Co., Inc. intends to issue sustainability-linked bonds and obtain sustainability-linked loans whose financial characteristics (such as an interest rate step-up or step-down, donations, purchase of carbon credits) will be tied to the achievement of the following SPTs:

- (1) SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 50% by FY2030 from a FY2018 baseline;
- (2) SPT 2: Reduce scope 3 GHG emission intensity by 24% by FY2030 from a FY2018 baseline.

Sustainalytics considers KPI 1 and KPI 2 to be very strong given that the KPIs: i) are direct measures of Ajinomoto Co., Inc.'s performance on a material sustainability issue; ii) have a high scope of combined applicability; iii) follow a clear and consistent methodology; and iv) lend themselves to be benchmarked against science-based emission reduction trajectories.

Sustainalytics considers SPT 1 to be highly ambitious given that it is aligned with the Company's historical performance, is above peer performance and is aligned with the SBTi's 1.5°C scenario; and SPT 2 to be ambitious given that is above the Company's historical performance, is above peer performance and is aligned with the SBTi's well-below 2°C scenario. Moreover, Sustainalytics considers Ajinomoto Co.'s reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the Ajinomoto Co., Inc. Sustainability Linked-Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2023, and the prospective achievement of the SPTs to be impactful.

## Appendix 1: Sustainability-Linked Bonds - External Review Form

### Section 1. Basic Information

**Issuer name:** Ajinomoto Co., Inc.

**Sustainability-Linked Bond ISIN:**

**Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):** Sustainalytics

**Completion date of second party opinion pre-issuance:** May 16, 2023

**Independent External Review provider's name for post-issuance verification (section 4):**

**Completion date of post issuance verification:**

At the launch of the bond, the structure is:



a step-up structure



a variable redemption structure

### Section 2. Pre-Issuance Review

#### 2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> assessed all the following elements (complete review)    | <input type="checkbox"/> only some of them (partial review):                 |
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs)           | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting                                |
| <input checked="" type="checkbox"/> Verification   |  |
| <input checked="" type="checkbox"/> and confirmed their alignment with the SLBP.             |  |

#### 2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

#### 2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Ajinomoto Co., Inc. intends to issue sustainability-linked bonds and obtain sustainability-linked loans, which will have financial characteristics tied to the achievement or non-achievement of the following SPTs:

- SPT 1: Reduce absolute scope 1 and 2 GHG emissions by 50% by FY2030 from a FY2018 baseline

- SPT 2: Reduce scope 3 GHG emission intensity by 24% by FY2030 from a FY2018 baseline

Sustainalytics considers KPI 1: absolute scope 1 and 2 GHG emissions reduction rate (%) and KPI 2: scope 3 GHG emissions reduction rate per volume unit (%), to be very strong based on: i) materiality and relevance to Ajinomoto Co., Inc.'s business, ii) high scope of combined applicability, iii) the use of a clear and consistent methodology that is externally defined and iv) its suitability to be benchmarked against external decarbonization trajectories.

Sustainalytics considers the SPTs to be aligned with Ajinomoto Co., Inc.'s sustainability strategy. Sustainalytics also considers SPT 1 to be highly ambitious given that: i) it is aligned with the Company's historical performance, ii) above peer performance and iii) aligned with SBTi's 1.5°C scenario, and SPT 2 to be ambitious given that: i) it is above the Company's past performance, ii) above peer performance and iii) aligned with SBTi's well-below 2°C scenario.

Sustainalytics also considers the reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the Ajinomoto Co., Inc.'s Sustainability Linked-Financing Framework to be aligned with the five core components of the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2023, and the prospective achievement of the SPTs to be impactful.

### Section 3. Detailed pre-issuance review

*Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.*

#### 3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

**Overall comment on the section (if applicable):** The Ajinomoto Co., Inc. Sustainability Linked-Financing Framework. The Ajinomoto Co., Inc. Sustainability Finance Framework includes two KPIs: i) Absolute scope 1 and 2 GHG emissions reduction rate; and ii) Scope 3 GHG emissions reduction rate per volume unit. Sustainalytics considers the KPIs to be very strong based on materiality and relevance, scope of applicability, clear and consistent and externally defined methodology, which is externally defined and ability to be externally benchmarked.

#### List of selected KPIs:

- Absolute scope 1 and 2 GHG emissions reduction rate (%)
- Scope 3 GHG emissions reduction rate per volume unit (%)

#### Definition, Scope, and parameters

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify):                           |   |

#### Relevance, robustness, and reliability of the selected KPIs

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis                            | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked        |
| <input type="checkbox"/> Other (please specify):   |  |

### 3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

**Overall comment on the section (if applicable):** Sustainalytics considers the SPTs to be aligned with Ajinomoto Co., Inc.'s sustainability strategy. Sustainalytics further considers SPT 1 to be highly ambitious and SPT 2 to be ambitious based on past performance, peer performance and alignment with science-based trajectories.

#### Rationale and level of ambition

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement                                  | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer's sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline                 |
|  | <input type="checkbox"/> Other (please specify):  |

#### Benchmarking approach

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance   | <input checked="" type="checkbox"/> Issuer's peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify):   |

#### Additional disclosure

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description                       | <input checked="" type="checkbox"/> issuer's strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify):                             |

### 3-3 BOND CHARACTERISTICS

#### Overall comment on the section (if applicable):

Ajinomoto Co., Inc. will link the financial characteristics of the sustainability-linked bonds and loans to the achievement or non-achievement of the SPTs. The financial characteristic adjustments such as an interest rate step-up, donations or purchase of emission credits, will be triggered in the case that: i) any of the SPTs has not been achieved by its target observation date; or ii) the verification of the KPI performance against SPTs has not been provided and made public in a timely manner as set out in the legal documentation of the relevant financing. Ajinomoto Co., Inc. will specify information related to KPIs, SPTs and changes in financial characteristics in the relevant issuance documentation.

#### Financial impact:

- ☒ variation of the coupon
- ☒ Other (please specify): Donations, Purchase of emission credits

#### Structural characteristic:

- ☐ Other (please specify):

### 3-4 REPORTING

**Overall comment on the section (if applicable):**

Ajinomoto Co., Inc. commits to reporting annually on its progress of the KPIs on its website. Ajinomoto Co., Inc. also commits to disclosing relevant information that may affect the KPI, such as changes in its sustainability strategies and implementation of action plans. The reporting commitments are aligned with the SLBP and SLLP.

**Information reported:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report  |
| <input checked="" type="checkbox"/> level of ambition of the SPTs    | <input checked="" type="checkbox"/> Other (please specify): Provision of information that may impact SPT achievement (e.g., formation or update of sustainability strategies, formulation or status of implementation of action plans) |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report                   |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Ajinomoto Co., Inc.'s website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the "useful links" section.

**Level of Assurance on Reporting**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance    |
|   | <input type="checkbox"/> Other (please specify): |

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)****Section 4. Post-issuance verification**
**Overall comment on the section (if applicable):**

**Information reported:**

- |  |  |
|--|--|
| <input type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance    |
|  | <input type="checkbox"/> Other (please specify): |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input type="checkbox"/> Annual                  | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Material change:**

- |   |  |
|---|--|
| <input type="checkbox"/> Perimeter        | <input type="checkbox"/> KPI methodology |
| <input type="checkbox"/> SPTs calibration |  |

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