



NH Foods Group's ESG Initiatives

January 12, 2021

NH Foods Ltd.

NH Foods Group's Environmental (E) and Social (S) Initiatives

- Sadanori Miyagai, Director and Managing Executive Officer, NH Foods Ltd.

NH Foods Group's Corporate Governance (G)

- Atsushi Iwasaki, Outside Director, NH Foods Ltd.

NH Foods Group's Environmental (E) and Social (S) Initiatives

- Sadanori Miyagai, Director and Managing Executive Officer, NH Foods Ltd.

NH Foods Group's Corporate Governance (G)

- Atsushi Iwasaki, Outside Director, NH Foods Ltd.

1 : NH Foods Group's Sustainability

- P 5 Medium-Term Management Plan 2020**
- P 6 Group Sustainability Policy**
- P 7 Relationships between Five CSR Material Issues and SDGs**
- P 8 Towards the Next Medium-Term Management Plan**
- P 9 Sustainability Promotion Framework**

2 : Specific Initiatives

- P12 Action on Climate Change**
- P13 Action on Water Risks and Waste Reduction Initiatives**
- P14 Initiatives for the Reduction and Effective Utilization of Waste**
- P15 CSR Procurement**
- P16 Sustainable Supply of Protein**
- P17 Initiatives for Food Allergies**
- P18 Human Capital**

1. NH Foods Group's Sustainability

Theme

Building systems that pave the way to the future

Management Strategies

Business policies

- (1) Strengthen profitability by improving the efficiency of existing businesses
- (2) Create value through dialog with consumers
- (3) Enhance and develop technological capabilities for conceptualizing and realizing the future of food
- (4) Change gears in overseas market deployment
- (5) Pursue sustainability

Functional Strategies

(1) Strategy formulation and promotion

(2) Business segment sustainability improvement

(3) Internal and external communications

Foundation

“High-level Management for No. 1 Quality”

The NH Foods Group will contribute to the realization of a sustainable society by linking business activities that maximize its strengths with the Five CSR Material Issues. The Group will constantly justify its existence through the creation of social and economic value, aiming to be company which stands the test of time and continues to be selected by customers.

**Solving social
issues**

**Contributing to
business**

The NH Foods Group's sustainability consists in balancing these two aspects

Addressing five CSR material issues by leveraging the strengths of our business while aiming to contribute to the achievement of the SDGs, which are international goals for a better society

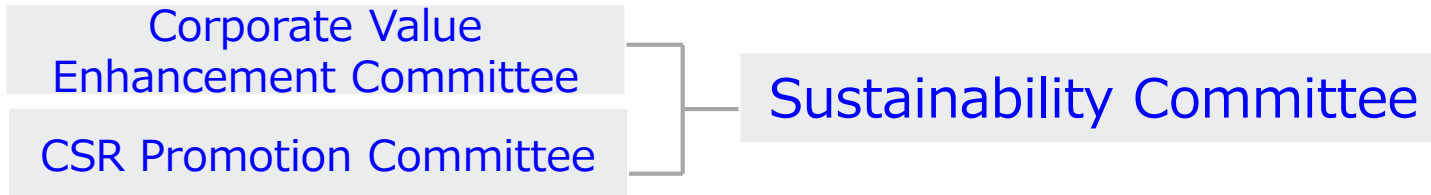


We are currently focusing on the tasks shown below in conjunction with the next Medium-Term Management Plan due to start next fiscal year.

- **Reviewing material issues**
- **Determining themes to be addressed in relation to the material issues**
- **Setting strategies and KPIs in line with the themes**
- **Setting environmental medium-term and long-term targets to be achieved by 2030
(CO₂, water resources, waste)**

This fiscal year, we are making structural changes to strengthen the sustainability framework.

● Establishment of Sustainability Committee



● CSR Department → Sustainability Department

<Promotion framework>



2. Specific Initiatives

■ Environmental (E) Initiatives

P12 Action on Climate Change

P13 Action on Water Risks and Waste Reduction Initiatives

P14 Initiatives for the Reduction and Effective Utilization of Waste

■ Social (S) Initiatives

P15 CSR Procurement

P16 Sustainable Supply of Protein

P17 Initiatives for Food Allergies

P18 Human Capital

Agreement with the proposal by the TCFD

In June 2020, we agreed with the proposal presented by the TCFD.

We will quantitatively and qualitatively assess risks and opportunities. We are currently making a start on work related to risk analysis and plan to start scenario analysis in the first half of next fiscal year.



Formulation of medium- and long-term environmental performance targets

We are setting medium- and long-term environmental performance targets for 2030 (CO₂, water resources, waste). 【To be announced in May】

Reduction of greenhouse gases released by livestock

At our feedlots (Whyalla Beef) in Australia, we are researching the use of feed supplements to inhibit methanogenesis. In Japan, we are conducting research into ways to reduce methane emissions from pig manure.

Initiatives to reduce CO₂

Switch to LED

We are gradually switching to LED lighting at all Group offices in Japan (only properties owned by the Group).

【Aiming for completion by the end of March 2021】

Switch to hybrid vehicles

We are gradually replacing commercial vehicles (excludes trucks and light vehicles) used in Japan with hybrid vehicles.

【Aiming for completion by the end of March 2021】

Installation of solar panels

We are installing solar panels at sites in Japan to increase use of renewable energy.



Kyodo Foods Co., Ltd.

Action on Water Risks

Risk screening

We conduct risk screening in areas where factories are located, at home and abroad, using the WRI Aqueduct platform*.

In Japan, there are no extremely high risk locations. Further investigation is required overseas as the Group has factories located in areas where water risk is extremely high.

*Water risk assessment tool provided by World Resources Institute (WRI)

Waste Reduction Initiatives

Environmental investment

Reduction of waste and conversion of waste into energy

We are encouraging the reduction of waste generated in factories and the conversion of waste into energy.

- Waste oil boilers
- Thermal recycling of plastic waste

Waste Reduction Initiatives

Reduction of container packaging

Simplification of container packaging

We are promoting reduction of the amount of plastic used through the simplification of container packaging including eliminating product trays, changing the shape of containers, reducing outer packaging, and using thinner, more lightweight films.



45% reduction in weight of plastic used

Switch to recycled PET and biomass materials

We are promoting the use of recycled PET, plant-based raw materials and inks, and biomass films.

(Back of packaging)



Initiatives for waste reduction

Reduction of food loss

Visualization of current status

We will adopt a unified Group approach towards reducing food loss and will work to visualize amounts of food loss.

Longer shelf lives

The lengthened the shelf life of beef which can normally be kept refrigerated for 77 days to 100 days through the establishment of a world-class hygiene control framework at our meat processing plants in Australia.



Repackaging of consumer products into smaller sizes

We changed the packaging of Entier sausages from a pack of eight sausages to a pack of eight sausages subdivided into two lots of four in response to customer feedback about the difficulty of consuming all the sausages in one go.



Initiatives for effective utilization of waste

Resource recycling

Functional ingredients

We are also using various meat processing byproducts (such as bones and skin) as resources.

We sell bone extract and extract functional materials such as collagen from skin and cartilage to use in products.



Use of waste as fertilizer

We make effective use of waste products from pigs and chickens by processing them into fertilizer and fuel.



Biomass power generation

Nippon White Farm Co. Ltd. conducted Japan's first poultry power generation project in a joint venture with other companies in Miyagi Prefecture.



CSR Procurement

NH Foods Group CSR Procurement Policy

In April 2017, we enacted the NH Foods Group CSR Procurement Policy and the NH Foods Group CSR Procurement Guidelines.

Explanation of guidelines to suppliers and request for cooperation with self-checks

[Content of self-check sheet]

Compliance with laws and regulations and social norms, quality and safety of products and services, respect for human rights, occupational safety and health, protection of the environment

[Coverage]

FY2019	Primary raw material suppliers in Japan (equivalent to 80% of amount of purchases)
FY2020	Secondary material suppliers in Japan Primary raw material and secondary material suppliers overseas (equivalent to 60% of amount of purchases in both cases)

RSPO membership

We joined RSPO in August 2020. We aim for 100% sustainable palm oil use by 2030.



Human rights

NH Foods Group Human Rights Policy

In December 2020, we enacted the NH Foods Group Human Rights Policy.

CSR Procurement

We included 14 questions on human rights in the CSR procurement self-check sheet.

Human Rights Due Diligence

We are using existing mechanisms such as business audits and compliance hearings to promote human rights due diligence with reference to the human rights policy.

Animal welfare

Exchange of views with NPOs

In February 2020, we exchanged views about animal welfare with Animal Rights Center Japan.

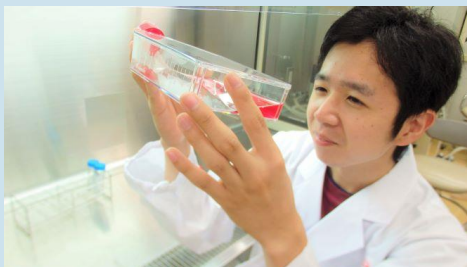
Use of free stalls at pig farms

We have introduced the use of free stalls for pregnant sows at two farms in Hokkaido. We intend to proceed along the same lines at new farms in the future.

Wider protein options

Cultured meat [research stages]

We are culturing livestock and fish cells of livestock and using them to make cultured meat products. We are conducting joint research with a startup but this initiative is still in the R&D stage and overcoming obstacles in terms of cost and taste is likely to take time.



Commercialization of plant-based meat

Plant-based meat is a meatless product made from plant-based ingredients such as soybeans which recreates the texture and taste of meat. We started supplying plant-based meat commercially in 2015 and, in March 2020, we launched five items under the NatuMeat brand. We plan to renew the product lineup, expanding it to eight items in March 2021.

Meat alternatives

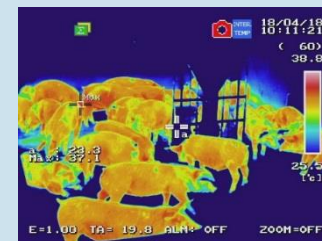
We are also conducting research and development into other meat alternatives besides soy meat.



Contribution to livestock industry

Smart pig-farming project

We have installed cameras and sensors at pig farms and are using an AI image diagnosis program to analyze data with the aim of increasing farming productivity while reducing labor input. We launched this project in collaboration with NTT Data Group in December 2018 and findings at 2 farms are currently being verified. We aim to introduce smart farming practices during FY2021.



Research & development

We were one of the first food companies to start research & development in relation to food allergens in 1996.

Test kits

On the introduction of food allergen labelling regulation in Japan, we participated in research conducted under consignment from the Ministry of Health and Welfare (currently the Ministry of Health, Labour and Welfare) and developed the FASTKIT Elisa series of allergen testing kits in 2002. This series has since undergone many improvements and many public testing organizations use these testing kits today as essential tools for ensuring the safety of foods.



Manufacture and sale of allergen-free products

Minna no Shokutaku Series

Following the launch of the *Apilite* series in 1997, we launched the *Minna no Shokutaku* series of allergen-free meat products for supermarkets in 2004. We expanded the product lineup in 2009, with the launch of Rice Flour Bread, which has become a staple. The products are manufactured in a special-purpose factory (Nipponham Northeast) where seven specified allergen ingredients are banned.



Information dissemination

Nipponham Foundation for the Future of Food

The Nipponham Foundation for the Future of Food was established in 2015 to disseminate information about food allergens. It supports allergen-related research, holds events to improve the quality of life (QOL) of those living with food allergies and engages in food allergen awareness-raising activities.



Project A

Project A is a food allergen collaborative initiative by Otafuku Sauce Co., Ltd. Nagatanien Co., Ltd., House Foods Corp. and NH Foods Ltd., all of which sell allergen-free products. The project aims to realize a society in which everyone can enjoy food regardless of food allergies.

Overseas sale of rice flour bread

Our products were certified as gluten free (containing less than 10ppm of gluten) by GFCO, the leading gluten-free certification organization in North America. We export and sell Japanese rice flour bread overseas, focusing on the growing North American market.



*Actual package designs may differ from those pictured.

HR strategy for improving productivity and creativity

Work Style Reform

Even during the COVID-19 crisis, we are accelerating the diversification of work styles for the creation of workplaces where employees can thrive.

Under Work Style Reform Ver.2, we will develop human resources who can demonstrate high creativity and enhance employee engagement.

Medium-Term Management Plan 2020
From 2020

Medium-Term Management Plan 2020

Work Style Reform Ver.1

Measures to shorten working hours
Promotion of diverse work styles

Reduce working hours

Work Style Reform Ver.2

HR system reform

Education and training, evaluation, and pay reform that respond to changes in the environment

Utilization of human resources

Building of systems based on diverse values and career plans

Corporate culture for challenge

Implementation of internal open call for new businesses

Setting challenging goals

**Maximization of added value
Use of mobile and cloud**

NH Foods Group's Environmental (E) and Social (S) Initiatives

- Sadanori Miyagai, Director and Managing Executive Officer, NH Foods Ltd.

NH Foods Group's Corporate Governance (G)

- Atsushi Iwasaki, Outside Director, NH Foods Ltd.

1 : NH Foods Group's Corporate Governance

P.22 Introduction of speaker, Outside Director Atsushi Iwasaki

P.23 NH Foods Group Fundamental Policy on Corporate Governance

2 : Initiatives to strengthen NH Foods Group's Governance

P.25 Background

P.26-27 Current Corporate Governance Framework

P.28 Initiatives for this Fiscal Year

3 : Future Direction

P.30 Themes based on Evaluation of Effectiveness

1 : NH Foods Group's Corporate Governance

Introduction of speaker

Atsushi Iwasaki: Outside Director of NH Foods Ltd.

**Concurrently serving as Outside Director of OLYMPUS CORPORATION and ISEKI & CO., LTD.
*Became Outside Director at NH Foods and OLYMPUS after first serving as Outside Audit & Supervisory Board Member**

History

- Nov. 1990** **Joined Century Audit Corporation (current Ernst & Young ShinNihon LLC)**
- Mar. 1991** **Registered as certified public accountant**
- Mar. 1997** **Registered as licensed real estate appraiser**
- Dec. 1997** **Partner, Century Audit Corporation (current Ernst & Young ShinNihon LLC)**
- Aug. 2005** **Retired from ShinNihon Audit Firm (current Ernst & Young ShinNihon LLC)**
- Sep. 2005** **Head of Iwasaki Certified Public Accountant Office, to date**
- Jun. 2013** **Outside Director of ISEKI&CO.,LTD, to date**
- Jun. 2015** **Outside Audit & Supervisory Board Member of NH Foods Ltd., to date**
- Jun. 2016** **Outside Audit & Supervisory Board Member of OLYMPUS CORPORATION, to date**
- Jun. 2019** **Outside Director of NH Foods Ltd., to date
Outside Director of OLYMPUS CORPORATION, to date**

NH Foods Group Fundamental Policy on Corporate Governance

NH Foods Group's vision of becoming "Providing the greatest "Joy of Eating" in the world



We continuously strive to enhance our corporate governance system to establish a corporate governance system which we consider most appropriate and to make such system functional.

The principles of corporate governance of the NH Foods Group are:

- (i) to enhance its management transparency and efficiency;
- (ii) to ensure timely and proper decision-making as well as appropriate business operations; and
- (iii) to enable proactive and courageous business judgments and to clarify its responsibility.

2 : Initiatives to strengthen NH Foods Group's Governance

Background-Scandal in 2002 triggered switch to compliance-based governance

<Appointment of Outside Officers> Number of Outside Officers increased from zero prior to 2002 to two Outside Directors (18% share) and four Outside Audit & Supervisory Board Members (80% share) in 2003

<Establishment of committees-2002~2015>

Aug. 2002 Corporate Ethics Committee established following discovery of beef mislabelling scandal

2003 Compliance Committee, Compensation System Committee, and Crisis Management Committee established

***Compensation System Committee was renamed Compensation Committee and Crisis Management Committee was renamed Risk Management Committee.**

2006 Corporate Value Evaluation Committee established

2008 JSOX Committee established

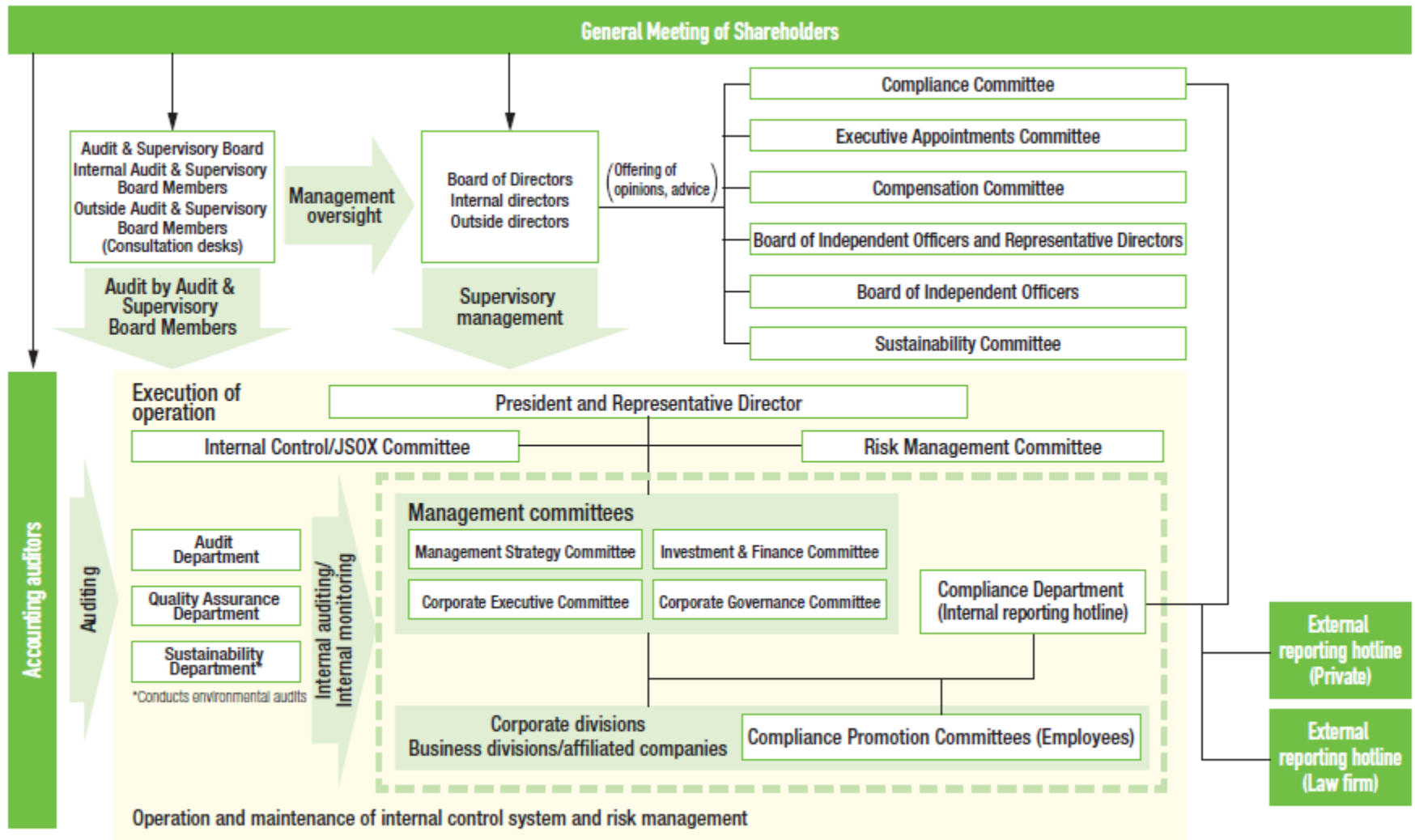
2011 Executive Appointments Committee established

<Management Committees>

2003 Management Strategy Committee, Investment & Finance Committee and Corporate Executive Committee established

2004 Corporate Governance Committee established

Current Corporate Governance Framework ①



Current Corporate Governance Framework②

Since November 2015, following the publication of Japan's Corporate Governance Code, we have been implementing reforms.

<Appointment of Outside Officers>

2020 Three Outside Directors (38% share) and three Outside Audit & Supervisory Board members (60% share)

<Establishment of committees>

From 2015, we established the committees which are the predecessors of the voluntary committees we have today.

Current voluntary committees and their composition

● Committee Chairperson ● Committee Member *Independent Officer

Position	Name	Executive Appointments Committee	Compensation Committee	Board of Independent Officers and Representative Directors	Board of Independent Officers	Compliance Committee	Sustainability Committee
President and Representative Director	Yoshihiko Hata		●	●		●	●
Representative Director	Tatsuhiko Kito			●			●
Representative Director	Nobuhisa Ikawa			●			●
Director	Sadanori Miyagai					●	●
Director	Fumio Maeda						●
Director (Outside)	Yasuko Kono*	●	●	●	●	●	●
Director (Outside)	Atsushi Iwasaki*	●	●	●	●		●
Director (Outside)	Hideo Arase*	●	●	●	●		●
Audit & Supervisory Board Member (Outside)	Akihiko Shiba*	●		●	●		
Audit & Supervisory Board Member (Outside)	Masayuki Kitaguchi*			●	●	Observer	
Audit & Supervisory Board Member (Outside)	Tokuzhi Yamazaki*			●	●		Observer

Initiatives for this Fiscal Year

We are reviewing the officer compensation structure as part of further governance reform. **<Officer compensation> We are introducing performance-based compensation as an incentive for enhancement of corporate value in the medium and long term.**



	Basic Compensation	Performance-Based Compensation	Performance-Based Stock Compensation
Positioning	Fixed compensation	Short-term incentive compensation	Long-term incentive compensation
Recipients	Directors, Executive officers, Audit & supervisory board members	Directors (excluding outside directors), Executive officers	Directors (excluding outside directors) Executive officers
Delivery form	Money	Money	Stock (BIP Trust)
Evaluation indicators	—	Consolidated net sales, Consolidated business profits ROE, ROIC, Specific challenges facing management	Consolidated net sales Consolidated business profits ROE
Delivery method	Standard amount according to rank	Fluctuates from 0~200% according to achievement	Points granted according to target attainment Fluctuates in range 0~130%

3 : Future Direction

Themes based on Evaluation of Effectiveness : Evaluation of effectiveness for FY2019, issues to be addressed and priority themes for FY2020

Evaluation of Effectiveness for FY2019

- Evaluation items
- ① Members and Operation of the Board of Directors
- ② Management Strategy and Business Strategy
- ③ Corporate Ethics and Risk Management
- ④ Evaluation and Compensation of the members of the Management
- ⑤ Communication with Shareholders

< Evaluated as strengths >

- Composition of Board of Directors
- Monitoring of internal controls and initiatives to uphold corporate ethics
- Reporting of dialogue with shareholders and investors to Board of Directors and discussion thereof

<Future challenges for further improvement>

- Managements strategies based on an awareness of cost of capital
- Appropriate allocation of digital management resources
- Issues to be addressed in the medium and long term from an ESG perspective
- Management succession planning

Priority Themes for FY2020

- ① **With the aim of management with an awareness of ROE improvement and capital costs, promotion of execution of business under management of ROIC index and reporting of the results to the Board of Directors**
- ② **Sharing ESG perspective and social agenda called for by the SDGs, and formulating medium to long term strategies connecting with the five CSR material issues of the Group**

Contact

Public & Investor Relations Department
NH Foods Ltd.
ThinkParkTower
2-1-1 Osaki, Shinagawa ku, Tokyo 141 6013
Tel: +81-3-4555-8024

Forward looking statements

This presentation includes forecasts regarding targets, strategies and earnings. These forecasts are based on information available at the current time and contain certain assumptions about the future. They are subject to numerous external uncertainties in areas such as economic environment, market trends and exchange rates.

Actual performance may differ significantly from the targets in this presentation, and investment decisions should not be based exclusively on them.