

# Initiatives for Sustainability



**2019  
June**

**Managing Director  
Atsushi Katsuki**

## **Eliminating the negative impact: Promoting response to various changes in external environment**

Formulated “Asahi Group Environmental 2050”. Aiming for zero environmental burden in our business activities through such means as making our domestic breweries water neutral and reaching zero CO2 emissions by 2050.

## **Increasing the positive impact: Value creation utilizing strengths of the Asahi Group**

Improving both financial and social values by efforts to resolve social issues through our business activities. Those activities include the contribution to sustainable agriculture which ensures safety and security and reduces greenhouse gas emissions. To this end, we have leveraged agricultural materials harnessing the ability of beer yeast cell walls, a by-product of the beer brewing process.

## Eliminating the negative impact

### Environment

- Responding to climate change
- Ensuring stable procurement of materials
- Promoting sustainable water resources
- Circular resources and preventing pollution
- Providing environmentally and socially responsible products

### Human rights and human resource management

- Developing human resources on a global basis
- Enhancing diversity
- Upholding respect for human rights

### Responsible business practice

- Implementing effective supply chain management
- Securing food safety and reliability
- Promoting responsible drinking
- Pursuing social responsibility through products and services
- Reducing food loss

## Increasing the positive impact

### Value creation utilizing strengths of the Asahi Group

- Resolving social issues through new drinking opportunities
- Providing products utilizing yeast and lactic acid bacteria
- Developing products with reduced sugar
- Expanding health-based business and business that contributes to a recycling-based society
- Resolving social issues in the agricultural field through agricultural materials using yeast cell wall

## “Asahi Group Environmental Vision 2050”

Passing the Gifts of Nature to Future Generations with the “Neutral and Positive” Concept

### Neutral

1

**Response to climate change**

**Aim for zero CO2 emissions**

2

**Sustainable use of resources**  
(agricultural raw materials, packaging, and water)

**Reduce business risks**

### Positive

3

**Utilize microorganisms and fermentation technologies**

**Leverage Group strengths to create new environmental value**

4

**Process innovation**

**Create groundbreaking technologies and frameworks**

Participated in “TCFD consortium” on 27<sup>th</sup> May, 2019

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## Utilizing Renewable Energy

Sales volume of  
beer-type  
produced by  
Green Power

More than  
13.0 billion  
cans



この製品の当社製造  
における、自家発電  
を除く電力の全ては  
グリーン電力です。



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# Reduction of Environmental Burden in Containers and Packaging





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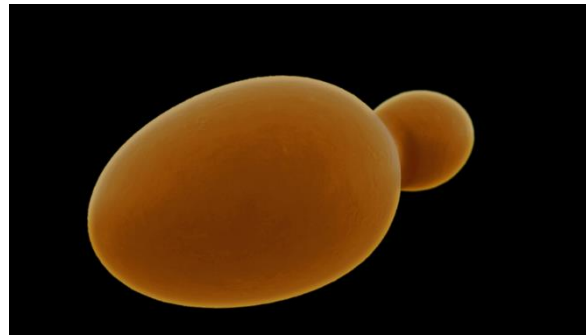
**Leverage Group strengths to create new environmental value**

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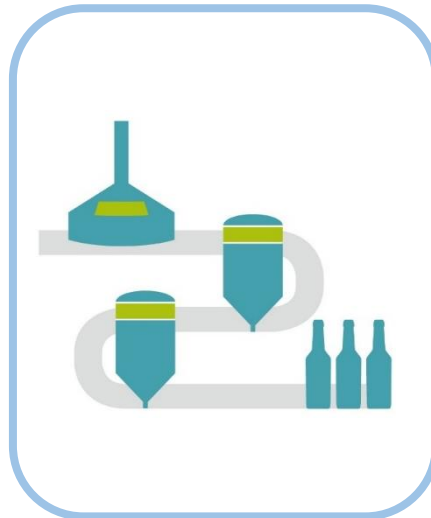
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## Agricultural Materials of Beer Yeast Cell Wall



### Beer brewing



### By-product

Malt feed (malt)

**Surplus yeast**

Diatomaceous earth

### By-product utilization

Feed

*E*BIOS tablets

**Beer yeast cell walls**

**Agricultural materials**

Yeast extract

Seasonings

Fertilizers

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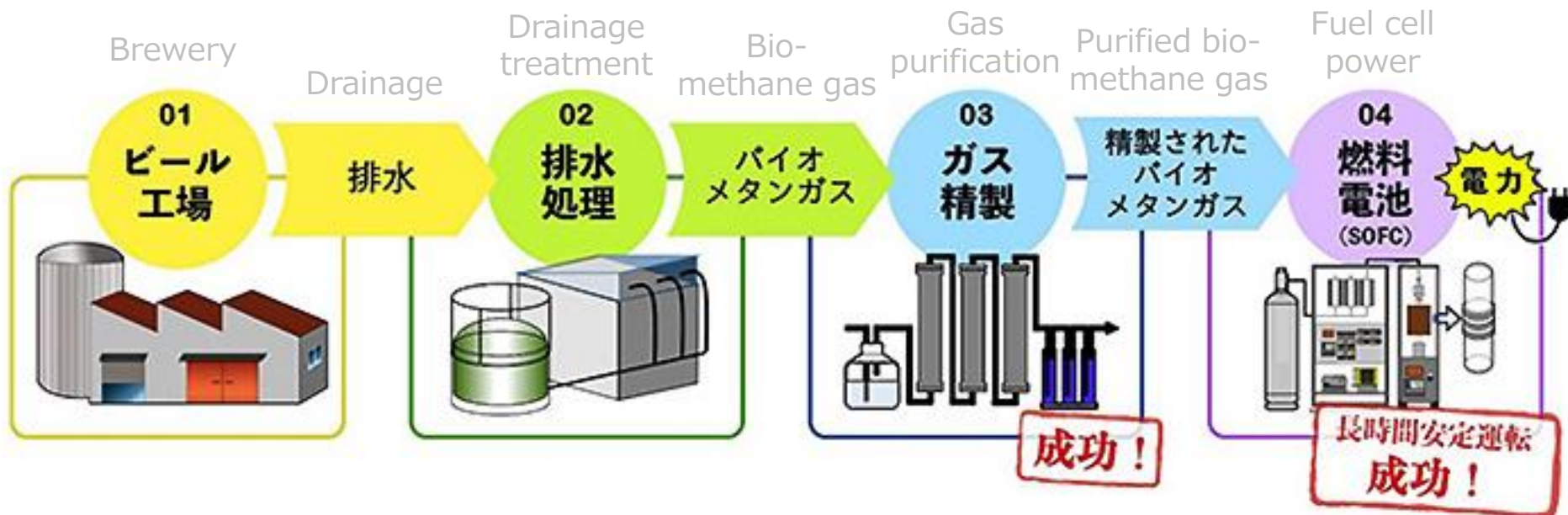
**Leverage Group strengths to create new environmental value**

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**Process innovation**

**Create groundbreaking technologies and frameworks**

## Fuel Cell Power Utilizing Drainage from Breweries



- Success for purifying high-purity bio-methane gas
- Continuous power generation for over 6,000 hours
- Carbon neutral power generation in Asahi Group factories
- Low cost and widely applicable system
- *Won Nikkei Global Environmental Technology Awards*

# Outline of the Asahi Group's Human Rights Policy

## Approach to respecting human rights

Commitment to respecting human rights and position of policies, targets (directors, employees, business partners), awareness of scope of impact, responsibilities of the Board of Directors, adherence to international rules, and policies related to discrepancies between laws

## Carrying out human rights due diligence

Implementation of human rights due diligence, prevention, mitigation, and correction of adverse impacts, and dialogue with stakeholders

## Human rights-related issues for the Asahi Group's business activities

Discrimination, harassment, forced labor and child labor, freedom of association and right to collective bargaining, occupational safety and health, working hours and wages, impact on supply chain, impact on local communities

## Mechanisms for handling complaints

Contact point and response structure inside and outside the Company

## Education and training

Target: Officers and employees  
Language: Language spoken in each country and region of operations

## Monitoring and reporting

Tracking of progress and disclosure via the Company's corporate website



## *Glocal* Talent Management

### Global

~Think Globally~

- Formulating human rights policies and frameworks that are shared on a global basis
- Formulating compensation system based on AGP
- Unifying mobility policies

### Local

~Act Locally~

- Promoting localization of human resource systems and development policies
- Sharing recognitions between Asahi Group Holdings and overseas operating subsidiaries

### Systems to connect both global and local activities

- Regular meetings of global HR
- Officers in charge of HR in holding company's participation in human resource and remuneration committees in overseas subsidiaries

## Promoting *Glocal* Initiatives

### **Global**

~Think Globally~

- Promoting collaboration with industrial groups and other organizations in each country and region
- Execute the Global Industry Commitment by The International Alliance for Responsible Drinking (IARD)
- Promoting efforts and disclosures on a Group-wide and global basis

### **Local**

~Act Locally~

- Promoting efforts to reduce inappropriate alcohol use
- Expanding the non- and low-alcohol product portfolio in each country and region



## The Asahi Group's CSV Positioning Strategy

CSV targets to date

Products of the Asahi Group



New CSV targets

Food-related raw materials and ingredients

Products of the Asahi Group



Gradually expand the lineup of targeted products in the domains of agricultural and livestock materials

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



FTSE4Good



CLIMATE  
CHANGE



WATER  
SECURITY



2018 Constituent  
MSCI日本株  
女性活躍指数 (WIN)



FTSE Blossom  
Japan



# The Asahi Group's Corporate Governance



**2019  
June**

**Chairman of the Board  
Naoki Izumiya**

①

Basic concept of governance reform

②

Continuous Initiatives to Date

③

Reform Efforts from Last Year

④

Future Direction

- ① **Discipline for the Company and Managements**
- ② **Sustainability of the Company and Business**
- ③ **Trust Relationship with Shareholders**

## Asahi Group Philosophy

### <Key Priorities>

strengthen group management

enhance the trust relationship with society

improve the sociality and transparency of the group companies

### <Basic concept>

- ① Respect for All Stakeholders
- ② Ensuring Proper Information Disclosure and Transparency Thereof
- ③ **Appropriate** Dialogues with Shareholders and Investors
- ④ **Appropriate performance** of the duties of the Board of Directors, Audit & Supervisory Board Members, and the Audit & Supervisory Board.

corporate value enhancement by  
"growth-oriented corporate governance"  
over the medium- to long-term

- ① **Appointment & Resignation of the CEO & Directors (Succession)**
- ② **Compensation System for CEO & Directors**
- ③ **Step-by-step Separation of the Role of Business Supervision and Execution**



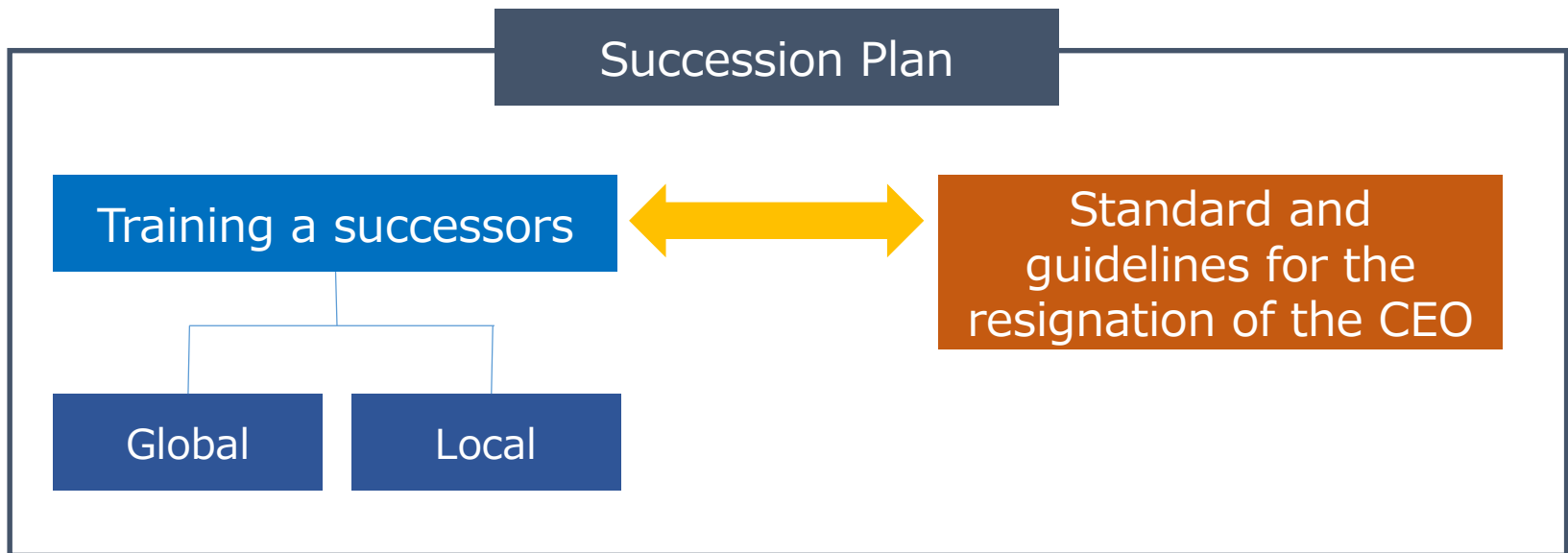
## <Efforts for Enhancing Corporate Governance (2015~2019)>

2015~2017	2018	2019
<p>&lt;2015&gt;</p> <ul style="list-style-type: none"> <li>• Corporate Governance Guidelines were formulated</li> <li>• Evaluations of the effectiveness of the Board of Directors were commenced</li> </ul> <p>&lt;2017&gt;</p> <ul style="list-style-type: none"> <li>• Performance-Linked Stock Compensation Plan was introduced for Internal Directors.</li> </ul>	<ul style="list-style-type: none"> <li>• Title of CEO transferred from chairman and representative director to president and representative director to improve the effectiveness of management supervision from operational execution.</li> <li>• Majority of Outside Officers were appointed as members of the Nomination Committee and Compensation Committee.</li> <li>• Third-party evaluations of the effectiveness of the Board of Directors were introduced.</li> <li>• Evaluation of the effectiveness of the Audit &amp; Supervisory Board were commenced and third-party evaluations were introduced.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company transitioned to a structure in which the chairman of the Board of Directors does not serve concurrently as a representative director.</li> <li>• Standard and guidelines were formulated for the resignation of the CEO, the appointment of representative directors, term of office for officers, and special advisers.</li> <li>• The number of Outside Directors on the Board of Directors was raised, now constituting one-third of total Board members.</li> <li>• The overall functions of remuneration systems were strengthened to provide incentive to Internal Directors.</li> </ul>

## <Nomination Committee> Red: Outside Directors Blue: Outside Audit

Committee chairperson	Committee members			
<b>Kosaka</b>	<b>Shingai</b>	<b>Saito</b>	<b>Izumiya</b>	<b>Koji</b>

## <Succession Plan>



## <Point of This Review>

- ① Establishing a new “Medium-Term Bonus Plan (Cash-Based)”
- ② Annual Bonus: Adding consolidated core operating profit as a new performance indicator
- ③ Medium-term bonus: Introducing social value indicators
- ④ Annual and medium-term bonus: Introducing frameworks for reflecting individual evaluations
- ⑤ Stock compensation: Focusing on sharing benefit and risks with shareholders.

## 【Composition of Remuneration for the Directors】

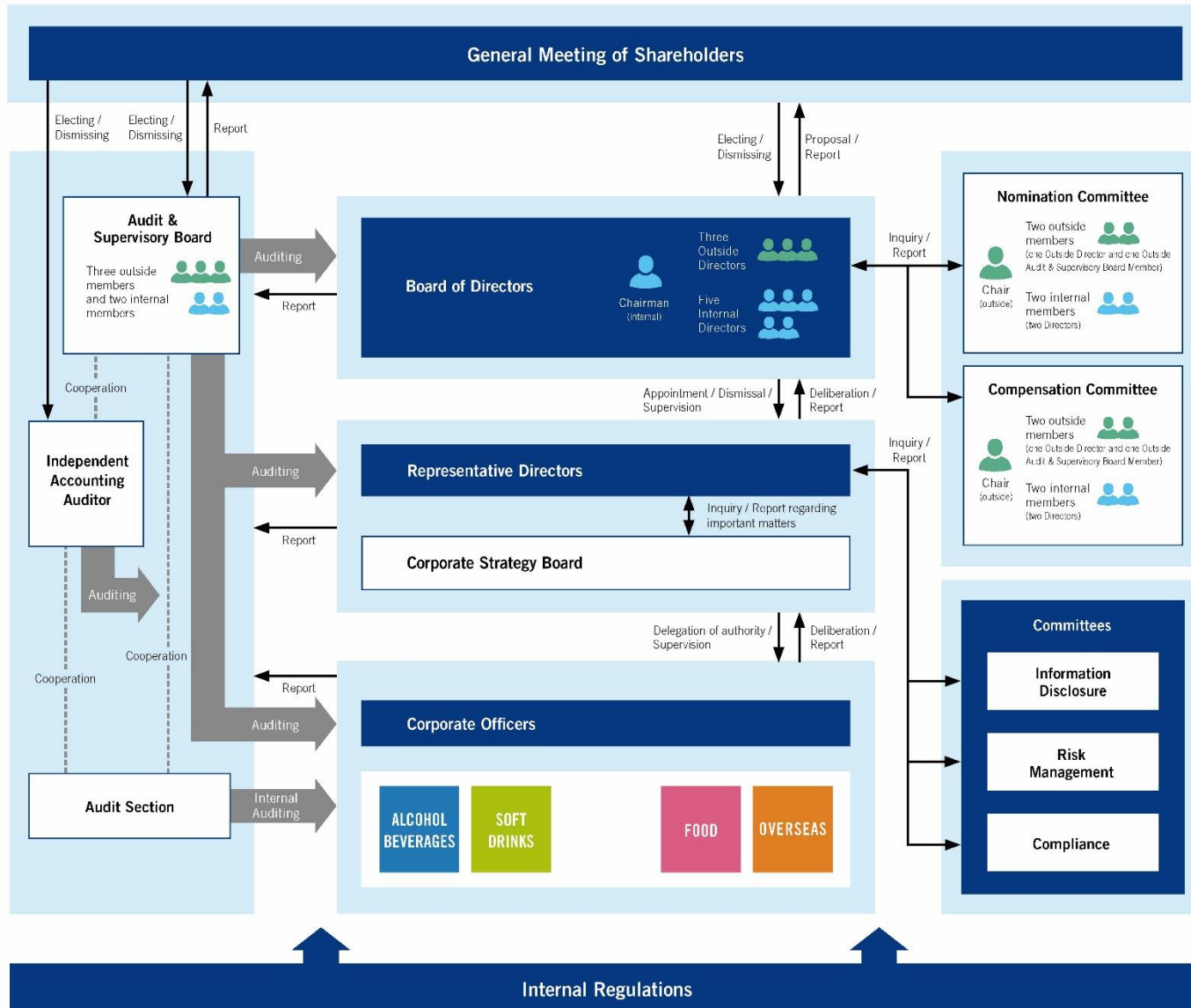
※ Remuneration model when achieving 2019 performance targets of president and representative director

	Fixed remuneration	Variable remuneration		
	Basic remuneration	Bonuses (annual)	Bonuses (medium-term)	Stock compensation
Breakdown	38%	48%		14%
Period	-	Single fiscal year	Three years	Three years
Performance Indicators (weighting)		<ul style="list-style-type: none"> <li>• Core operating profit (50%)</li> <li>• Profit attributable to owners of parent (50%)</li> </ul>	<ul style="list-style-type: none"> <li>• Financialvalue indicators (60%)</li> <li>• Social value indicators (40%)</li> </ul>	
Individual valuation	-	Yes	Yes	No

- ① **Absolute Separation of the Role of Business Supervision and Execution**
- ② **Standard and Guidelines for the Resignation of the CEO**
- ③ **Diversity of the Board of Directors**

Corporate Governance System Chart

Outside Director Internal Director



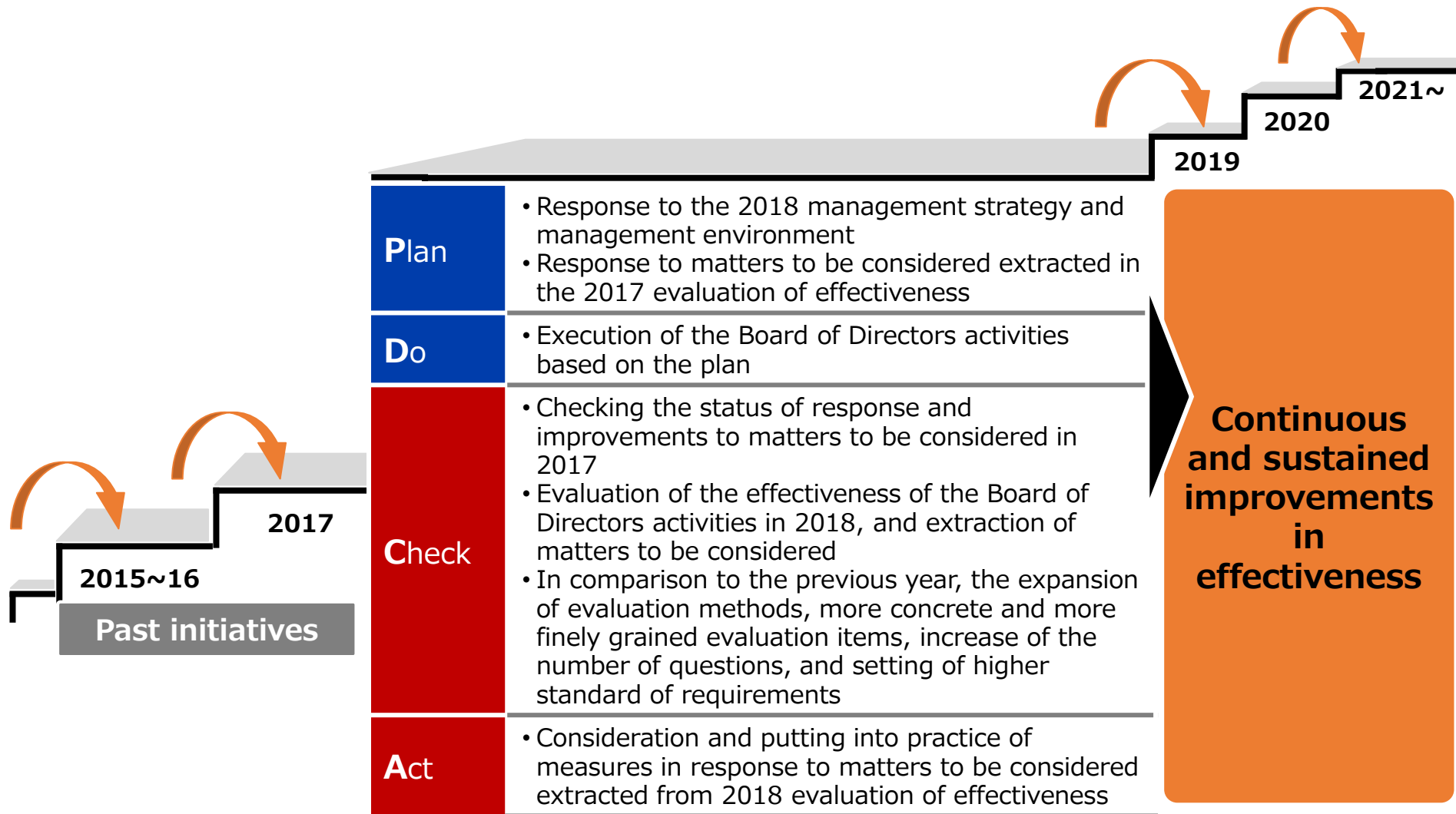
## <Members of the Board of Directors>

		Total	Sex		Nationality	
			Male	Female	Japanese	Non-Japanese
Total		9	8	1	7	2
	Internal	6	6	-	5	1
	Outside	3	2	1	2	1

- ① **Enhancing the Effectiveness of the Board of Directors**
- ② **Project for Enhancing the Effectiveness of the Board of Directors**
- ③ **Less Ceremonial and More Meaningful, and Enhancing the Best Practices**



## <Initiatives for “Evaluation of the Effectiveness of the Board of Directors”>



## <“Evaluation of the Effectiveness of the Board of Directors” Initiatives going forward >

### ① **Strengthening the Effective Corporate Governance System**

- Establishing a shared understanding with regard to matters that should be handled by the Board of Directors, matters that should be handled by the executive side, and matters to which a cooperative approach should be taken
- Setting out matters for the jurisdiction of the Board of Directors, and the Nomination/Compensation Committees

### ② **Putting in Place a Risk Management System in Preparation for the Strengthening of Group Governance**

- Arranging supervision by the Board of Directors of the succession of the top management for Asahi Group HD and other key group companies
- Setting out and finalizing the risks to be recognized and monitored by the Board of Directors, and drawing up methods for their monitoring

### ③ **Reinforcing ESG Initiatives**

- Clarifying the role taken by the Board of Directors with regard to ESG initiatives
- Building a mechanism to monitor the state of ESG initiatives

# Asahi

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