



MEGMILK SNOW BRAND Co., Ltd.

Green Bond Framework

1. Introduction

MEGMILK SNOW BRAND Co., Ltd. (hereinafter the "Company") has developed the Green Bond Framework (hereinafter the "Framework") based on the Group Long-term Vision 2026 and the "Megmilk Snow Brand Group Sustainability Policy".

The Framework has obtained a second opinion from Rating and Investment Information, Inc. (R&I), an independent external reviewer, on its conformity with Green Bond Principles 2021 (ICMA) and Green Bond Guidelines 2022 (Ministry of the Environment, Japan).

We will issue Green Bonds in accordance with the Framework.

1.1 Rational of Green Bond Issuance

Currently, the business environment surrounding our group is uncertain and challenging, with serious environmental issues such as global warming and rapid changes in social structure beyond our expectations. Under such circumstances, our group is being asked for its raison d'être and aspiration in society: "Why are we needed and for what purpose do we exist?"

We believe that the answer lies in the founding spirit of one of our predecessors, Snow Brand Milk Products Co., Ltd. The phrase "*Kendo Kenmin*" (a healthy earth ensures human health) means "Dairy farming strengthens the soil, and the milk and dairy products produced from this rich earth are the ultimate nutritious food that can foster healthy minds and resilient bodies for human being."

The social issue at the time of our founding was to realize stable and abundant dietary life in Japan, and our founders stood up to solve this issue through the business of dairy farming and dairy industry. Today, we believe that the raison d'être and spirit of our group is to solve various social issues of our time by providing value created throughout the value chain related to the dairy industry, and to construct a sustainable society that preserves a healthy and rich environment and can be passed on to future generations.

Through the issuance of Green Bonds, we will actively communicate the spirit of "*Kendo Kenmin*," which is the raison d'être and spirit of our group, to all stakeholders, including bond investors, and engage in constructive dialogue to build an ongoing relationship of trust with stakeholders.

1.2 Overview of the Company

On October 1, 2009, Nippon Milk Community Co., Ltd. and Snow Brand Milk Products Co., Ltd. merged to establish our company as a joint holding company, and on April 1, 2011, we absorbed

Nippon Milk Community Co., Ltd and Snow Brand Milk Products Co.,Ltd. Our group not only manufactures and sells products such as "Dairy products" and "Beverages and desserts," but also develops businesses such as "Feedstuffs and seed" related to dairy farming production.

1.3 Corporate philosophy

Our corporate philosophy consists of our mission and our corporate slogan.

We strive to fulfill our three missions ("Focus on consumers", "Contribute to Dairy Farming Production", "Put our hearts into milk") and create new value for milk in order to exist as a company that contributes to society.

<Our missions>

(1) Focus on Consumers

The Megmilk Snow Brand Group fully recognizes the importance of the concepts of consumer rights and business responsibilities as outlined in the Basic Consumer Act. Determined to keep our business operations consumer-focused, we are committed to:

- Providing safe and reliable products and services
- Proactively disclosing information
- Embracing consumers' feedback and reflecting it in management
- Establishing a risk management system to rapidly and appropriately respond to unexpected incidents.

(2) Contribute to Dairy Farming Production

The Megmilk Snow Brand Group is based on Japan's dairy farming industry. As trusted partners of dairy producers, we work to strengthen relationships and meet the expectations of producers by conveying the value of milk. Further, by developing new demand for milk and dairy products, we will strengthen the foundation of domestic dairy farming production and contribute to its sustainable development.

(3) Put Our Hearts into Milk

The Megmilk Snow Brand Group believes there is vast potential for milk. By focusing on and remaining dedicated to milk, we will expand the potential and increase the value of milk, and promote milk throughout the world.



<Corporate slogan>

Make the Future with Milk

1.4 Group Long-term Vision 2026

In May 2017, the Megmilk Snow Brand Group announced its Group Long-term Vision 2026, which outlines its 10 years plan for achieving sustainable growth. Based on our Corporate Philosophy, the foundation of all our business activities, we titled our long-term vision, "Future Creation Company with Milk," and gave it a focus on three "futures": the future of consumers, the future of dairy farmers, and the future of employees. And we have shown our vision as the three concepts of "Transformation & Renewal."

The first is "Transformation (Business Portfolio Transformation)". To enable sustainable growth, we transform our business portfolio to a new one in which we generate income through multiple businesses. The second is "Renewal (Renewal of the Production Structure to Support Business Growth)". By linking production structure renewal with business portfolio transformation, we adopt new technology and restructure our production line composition to establish a highly efficient and competitive production line. The third is "Group Management (Promoting Group Management)". We utilize maximally group management resources and the value chain to strengthen our Group's total power.

The "Group Long-term Vision 2026" is being promoted in three stages from FY2017 to FY2026.

	First Stage FY2017-FY2019	Second Stage FY2020-FY2022	Third Stage FY2023-FY2026
Positioning	Begin Transformation	Accelerate Transformation	Toward Renewal
	Start and promote Group management	Strengthen development of Group management	Accelerate and renew Group management
Role	Create multiple earnings bases and maximize cash flow	Establish Group earnings bases	Stable creation of earnings through four business sectors
	Begin renewal of production structure	Begin full-fledged renewal of the production structure	Accelerate production structure innovation

1.5 Megmilk Snow Brand Group Charter of Corporate Behavior

The Megmilk Snow Brand Group respects the letter and spirit of applicable laws and international rules at all stages of the supply chain, in accordance with the Megmilk Snow Brand Group Charter of Corporate Behavior. We act honestly and in good faith, living up to high ethical standards.

1. Sustainably Improving Corporate Value and Resolving Social Issues

The Megmilk Snow Brand Group works to improve corporate value by engaging in business activities to achieve its Corporate Philosophy, while striving to help build a sustainable world by working to solve social issues.

2. Trusting Relationship with Consumers

The Megmilk Snow Brand Group strives to ensure quality management and provide society with effective and safe products and services. Based on Japan's Basic Consumer Act, we recognize consumer rights and our responsibilities as a business operator, and we provide accurate information on products and services and communicate in good faith to ensure consumers' satisfaction and earn their trust. In the event that an accident does occur with a product we have provided, we respond appropriately, with consumer safety as our top priority.

3. Equitable Business Activities

The Megmilk Snow Brand Group maintains a high sense of morals and responsibility, observes corporate ethics, strives to ensure compliance throughout the Group, and carries out business activities based on fair, transparent and free competition. Moreover, we do not tolerate any transactions or relationships with organized criminal groups or other anti-social forces.

4. Fair Information Disclosure and Dialogue with Stakeholders

The Megmilk Snow Brand Group proactively, effectively and appropriately discloses information in a timely manner to earn the understanding and trust of all stakeholders, including consumers, dairy producers and shareholders. In addition, we implement transparent management by engaging in ongoing dialogue with stakeholders in order to raise corporate value.

5. Workstyle Reforms and Enhancement to Work Environment

The Megmilk Snow Brand Group approaches work in a way that raises employees' skills and respects personal attributes, diversity and individuality. Moreover, we build a corporate culture that offers freedom and vitality and establish workplace environments that are motivating and take health and safety into full consideration.

6. Initiatives on Environmental Issues

The Megmilk Snow Brand Group views environmental issues such as addressing climate change, effectively using water resources and appropriately managing waste as shared issues for humankind. We practice environmental conservation by working with everyone in the supply chain to develop environmentally friendly technologies, products and services.

7. Respect for Human Rights

Throughout its supply chain, the Megmilk Snow Brand Group respects basic human rights, bans discrimination on the basis of race, nationality, gender, religion, ideology or other such characteristics, prohibits inequitable treatment such as forced labor, human trafficking and child labor, and strives to provide safe, healthy work environments.

8. Thorough Crisis Management

The Megmilk Snow Brand Group has made thorough preparations for the possibility of emergencies. In the event of emergencies such as fires, natural disasters and accidents, the Group prioritizes human life and then strives to maintain, sustain and quickly restore its business activities. We value the company's assets and respectfully manage confidential information, including personal information.

9. Partnerships with Local Communities

The Megmilk Snow Brand Group actively participates in society and promotes communication at all of its business sites as a good corporate citizen. This helps to build ties of trust and contributes to local community development.

10. Thorough Implementation of This Charter

Those involved in the management of the Megmilk Snow Brand Group embrace as their own role ensuring that the Group lives up to this Charter, taking the lead to ensure that it is fully implemented by all Group companies. In addition, all involved in the supply chain are encouraged to take action based on this Charter.

1.6 Sustainability

1.6.1 Megmilk Snow Brand Group Sustainability Policy

All of us in the Megmilk Snow Brand Group pursue sustainability management as outlined below in order to achieve sustainable growth together with society through our business activities, in line with the Megmilk Snow Brand Group Charter of Corporate Behavior. This is intended to achieve the Megmilk Snow Brand Group Corporate Philosophy.

1. We identify material issues and designate specific targets, while also regularly disclosing the status of our initiatives.

2. The Group Sustainability Committee and Corporate Environment Meetings are regularly convened to establish plans for initiatives related to sustainability management, confirm progress with the KPIs, and pursue sustainability management on an ongoing basis by using the PDCA cycle.
3. Sustainability leaders are assigned to the Megmilk Snow Brand divisions and Group companies, and sustainability Group activities in which all employees participate are held to ensure thorough compliance and resolve material issues.
4. In order to ensure compliance and resolve social issues for the future, and based on our regret for the incidents caused by the Megmilk Snow Brand Group in the past, activities are carried out with the participation of all employees twice yearly in which participants reaffirm their responsibility in handling food and pledge to fulfill this responsibility.
5. The Code of Conduct has been established within each Group company and efforts have been made to ensure familiarity with these standards in order to translate the Megmilk Snow Brand Group Charter of Corporate Behavior into action.

1.6.2 Material Issues and KPIs

In order to improve the sustainability of society and our group, we have identified social issues that have a high impact on society and our group's business, and established five material issues (materiality) and KPIs (key management indicators).

【Process for Identifying Material Issues】



【Material Issues and KPI】

Domain	Food and Health
Material Issues	Milk for Contributions to Food and Health
Core Activity Theme	KPI (Key Performance Indicator)
Providing Safe Products and Services	<p>By fiscal 2022, 75% or more of the food facilities in and outside Japan that manufacture Megmilk Snow Brand products will be certified under an international food safety scheme (such as FSSC or SQF) recognized by GFSI, and thereafter continuing efforts will be made to increase GFSI certifications (*1)</p> <p>Train certified sensory evaluation technicians with the ability to evaluate flavor (number of certified sensory evaluation technicians: 110% or more compared to fiscal 2017 levels) (*2)</p>
Contributing to Extending Healthy Life Expectancy	<p>Carry out research and development, product development, service provision and information transmission to contribute to the extension of healthy lives through milk (*2)</p> <p>Carry out food education activities based on the key theme of contributing to the extension of healthy lives and aim for an average of 45,000 participants every year in fiscal 2019-2026(*3)</p>

Domain	Dairy Farming
Material Issues	Contributing to Sustainable Dairy Farming
Core Activity Theme	KPI (Key Performance Indicator)
Activities to Strengthen the Dairy Farming Production Platform	<p>Provide administrative and technical support for sustainable dairy farm management through operational support for Rakuseiken and the activities of the Research & Development Center for Dairy Farming (*2)</p> <p>In order to promote self-sustaining feedstuff dairy farming, increase the area of land planted with Snow Brand Seed feedstuff seeds by fiscal 2030 by 3% compared to fiscal 2019 levels(*4)</p>

Domain	Environment
Material Issues	Reducing Environmental Impact
Core Activity Theme	KPI (Key Performance Indicator)
Preventing Global Warming	Reduce CO2 emissions by 50% from the fiscal 2013 level by fiscal 2030(*5)
Sustainably Using Resources	<p>Make sure that all paper used is made of eco-friendly materials by fiscal 2022(*2)</p> <p>Procure 100% certified palm oil by fiscal 2026(*2)</p> <p>By fiscal 2030, develop and use environmentally friendly packaging containers and reduce the use of petroleum-derived plastic (basic sales unit) by 25% compared to fiscal 2018 (*6)</p> <p>Priority given to use of paper and biomass plastic containers(*2)</p> <p>Encouragement of use of personal cups and bottles in office to reduce the amount of plastic bottles used(*2)</p>
Formation of a Recycling-based Society	<p>Cut waste generation by 30% from the fiscal 2013 levels by fiscal 2030(*7)</p> <p>Maintain the waste recycling rate at 98% or higher until fiscal 2030(*7)</p> <p>Raise the food waste recycling rate to 95% or more by fiscal 2021 (*6)</p> <p>Pursue eco-friendly product development (extend the expiration date on existing and new products, and actively promote the labeling of the month and year for expiration dates) (*2)</p>

	Reduce the amount of water by 9% used at manufacturing sites by 2030 (compared to fiscal 2013) (*2)
	Confirm water risk at manufacturing sites and assess risk to business continuity every year. (*7)

Domain	People and Society
Material Issues	Realization of a Diverse and Motivating Workplace
Core Activity Theme	KPI (Key Performance Indicator)
Diversifying and Developing Human Resources	Increase the share of management positions held by women to 10% or more by fiscal 2025(*2)
Achieving Work-life Balance and Improving Labor Productivity	Maintain METI recognition under the Certified Health & Productivity Management Outstanding Organizations Recognition Program every year (*2)
Respect for Human Rights	Conduct due diligence and awareness-raising activities on human rights based on the "Megmilk Snow Brand Group Human Rights Policy" to identify, prevent, and reduce human rights risks in business activities(*2)
Material Issues	Contributing to Local Communities
Core Activity Theme	KPI (Key Performance Indicator)
Partnering with local communities	Work with the community to help resolve social issues (*2)

[Scope]

(*1) Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd. / Snow Brand Australia Pty. Ltd / PT.

Megmilk Snow Brand Indonesia / Kyodo Milk Industry Co., Ltd. / Luna Bussan / Miruku no Sato Co., Ltd.

(*2) Megmilk Snow Brand

(*3) Megmilk Snow Brand / Bean Stalk Snow Co., Ltd.

(*4) Snow Brand Seed Co., Ltd.

(*5) Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Chokuhan Haisou Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd.

(*6) Megmilk Snow Brand / Ibaraku Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd.

(*7) Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd.

1.6.3 Sustainability Promotion Structure

In July 2022, the Group Sustainability Committee, chaired by the President of Megmilk Snow Brand, was established to promote sustainability of the entire Group at the management level. The Sustainability Promotion Department and Group Sustainability Committee confirm the progress of KPIs for material issues, conduct discussions on achieving them, and report to the Board of Directors. The Sustainability Promotion Subcommittee has been established under the Group Sustainability Committee to examine specific measures to resolve material issues based

on reports from the workgroups on decarbonization, plastic reduction, and human rights. In addition, we promote understanding of the concept of sustainability among employees and other specific initiatives, including the sustainability Group activities which are led by sustainability leaders assigned to each department and Group company of Megmilk Snow Brand.

In addition, to make use of the "outside perspective" in our sustainability management, we have established the Corporate Ethics Committee, an advisory body to the Board of Directors, consisting of outside experts, representatives of internal labor unions, and internal committee members.



1.7 Environmental

1.7.1 Megmilk Snow Brand Group Environmental Policy

The Megmilk Snow Brand Group practices business activities centered on milk created in a natural environment and promotes coexistence with the global environment. To achieve this, we have established the Megmilk Snow Brand Group's Environmental Policy, in accordance with the Group's Charter of Corporate Behavior, and strive to effectively use sustainable resources.

1. Legal Compliance

Comply with environmental laws and ordinances as well as voluntary standards, and rapidly

respond to legal revisions.

2. Environmental Consciousness

Effectively use limited resources, curb the emission of global warming gases and waste, and continue to recycle and reuse by identifying important material issues and achieving KPI.

3. Increase Environmental Awareness

Promote awareness of environmental conservation among all employees and proactively promote environmental education.

4. Conserve Biodiversity

Conserve biodiversity and contribute to the creation of future society by using resources in a sustainable way in business activities.

5. Disclosure of Environmental Information

Proactively disclose environmental information to promote transparent environmental conservation activities.

1.7.2 Environmental Management Organization

The Company's environmental management is carried out comprehensively via an environmental management system (EMS) headed by the Managing Sustainability Director serving as the Supervising Environment Manager, with the President serving as the Chief Environment Officer. By appointing an environmental management manager for each organization, the Company is involving all employees and maintaining an environmental management system that complies with ISO 14001: 2015*.

* International criteria for creating systems to address environmental conservation within an organization

Environmental Management Organization

Chief Environment Officer: Representative Director and President

- ① Establish and review environmental policy
- ② Implement management reviews (review by management team)
- ③ Designate Managing Sustainability Director
- ④ Convene corporate environment meetings

Supervising Environment Manager: Managing Sustainability Director

- ① EMS general management
- ② Approval of Group environmental goals
- ③ Provide information to Chief Environment Officer
- ④ Management of corporate environment meetings

Corporate EMS Office Director (General Manager of the Sustainability Promotion Department)

- ① Supervision of corporate EMS office administration
- ② Assistant to Supervising Environment Manager

Corporate EMS Office (Sustainability Promotion Department, Environment Planning Group)

- ① EMS management, administration, and external environment inspection response
- ② Internal environment audit response

Corporate Environment Meetings



Committee that deliberates on corporate environmental goals, manages progress, decides on required measures, and confirms that the EMS is functioning appropriately and effectively.

1.8 Participation in External Initiatives

● The United Nations Global Compact

We have signed the United Nations Global Compact in June 2020 to realize a world in which we "leave no one behind," a goal touted in the SDGs, and a sustainable society. We pursue sustainability for both society and the Company while working to implement the ten principles in the four fields of human rights, labor, environment, and anti-corruption.

● TCFD; Task Force on Climate-related Financial Disclosures

On November 1st 2021, Megmilk Snow Brand endorsed the TCFD recommendations and joined the TCFD Consortium.

Our group aims to achieve symbiosis between its business activities centering on milk, which comes from the bounty of nature, and the global environment, and has set forth "Initiatives on Environmental Issues" in the Megmilk Snow Brand Group Charter of Corporate Behavior, and considers responses to climate change and environmental issues to be issues common to all humankind.

In addition, in Megmilk Snow Brand Group Environmental Policy, we positioned proactive disclosure of environmental information as important, and based on this, we have decided to work on information disclosure in line with the TCFD's recommendations.

We will conduct climate change scenario analysis based on the TCFD recommendations and proactively disclose information on the impact of climate change on our business.

Each and every employee of our group is committed to conducting our business activities in an environmentally friendly manner, making effective use of limited resources, and contributing to a sustainable global environment.

● Membership in the Roundtable on Sustainable Palm Oil (RSPO)*

In support of the objective of developing a healthy palm oil industry, we joined the RSPO in July 2018 and have begun using certified oil in some of our products.

Our group will continue to work with its suppliers to create a sustainable society through procurement of palm oil and other raw materials in consideration of the environment and human rights.

(*) The Roundtable on Sustainable Palm Oil is a non-profit organization called RSPO, which stands for "Roundtable on Sustainable Palm Oil". It was established to promote the sustainable production and use of palm oil in consideration of the environment and human rights. It operates in cooperation with stakeholders in seven sectors related to the palm oil industry: palm oil production, oil milling and trading, consumer product manufacturing, retail, banking and investment companies, environmental NGOs, and social and development NGOs.

2. Green Bond Framework

This framework has been developed in accordance with the following framework

- Green Bond Principles 2021 (ICMA)
- Green Bond Guidelines 2022 (Ministry of the Environment, Japan)

2.1 Use of Proceeds

Proceeds in lieu of issuance of Green Bonds will be used for new expenditures or refinancing related to projects that meet the following eligible criteria (Eligible Projects). In the case of refinancing, the funds will be used for expenditures related to capital expenditures made within four years prior to the date of issuance of the Green Bonds, or expenditures related to costs incurred within one year.

2.1.1 Eligible Criteria

No.	Eligible Projects Categories and Environmental Objects in Green Bond Principles	Eligible Criteria	SDGs	Materiality
1	Renewable Energy <u>Environmental Objects</u> Climate change mitigation	Installation of facilities to convert biomass by-products generated in the process of recovering whey and whey's useful components into methane gas	7. AFFORDABLE AND CLEAN ENERGY 13. CLIMATE ACTION	Reducing Environmental Impact
2	Pollution Prevention and Control <u>Environmental Objects</u> Pollution prevention and control	Investment in wastewater treatment facilities that contribute to waste (sludge) reduction	11. SUSTAINABLE CITIES AND COMMUNITIES 15. LIFE ON LAND	Reducing Environmental Impact
3	Sustainable Management of Living Natural Resources and Land Use <u>Environmental Objects</u> Natural Resource Conservation	Switch to environmental-friendly raw materials and reduce use of petroleum-derived plastics <ul style="list-style-type: none">• Switching to environmental-friendly containers and packaging such as forest-certified paper and product cardboard• Switching to certified palm oil• Switching to biomass plastics and lightweight packaging materials	15. LIFE ON LAND	Reducing Environmental Impact

2.1.2 Negative environmental and social effects associated with green projects and responses

In the NO.1 project, sludge is expected to increase due to the conversion of biomass to methane

gas. However, we plan to install sludge drying equipment to dry the sludge and sell it as fertilizer.

2.1.3 Exclusion Criteria

Proceeds in lieu of issuance of Green Bonds will not be allocated to projects related to

- Inappropriate relationships such as unfair transactions, bribery, corruption, extortion, embezzlement, etc. that do not comply with the laws and regulations of the country where the project is located
- Transactions that could cause human rights, environmental, or other social problems

2.2 Process for Project Evaluation and Selection

The Finance Department will consult and select eligible projects that meet the eligibility criteria with the Sustainability Promotion Department and related departments. The President will make the final decision on the qualified projects selected for the issuance of Green Bonds.

2.3 Management of Proceeds

The Finance Department will manage the net proceeds of Green Bonds on an annual basis using an internal management system until full allocation. Until the proceeds are allocated to eligible projects, the proceeds will be held in cash or cash equivalents. We expect that the proceeds will be applied within two years of the issuance.

2.4 Reporting

2.4.1 Allocation reporting

We will disclose the allocation of the proceeds of the Green Bonds on our website annually until the proceeds have been fully allocated to Eligible Projects.

The items are the following;

- The overview of each eligible project
- The amount of net proceeds allocated at eligible category level
- The amount of net proceeds pending allocation
- The amount of refinancing

In the event of any material situation where an allocation plan has to be reconsidered after full allocation, we will disclose such even in a timely manner.

2.4.2 Impact reporting

We will report on the project overview and the following indicators of each eligible project on our website, to the extent practicable, until the net proceeds of the Green Bonds have been redeemed.

No.	Eligible Green Projects Categories	Impact Metrics
1	Renewable Energy	Amount of CO2 emissions reduction (t-CO2)
2	Pollution Prevention and Control	Amount of sludge reduction (t)
3	Sustainable Management of Living Natural Resources and Land Use	Percentage of usage of eco-friendly raw materials (%) Reduction of petroleum-derived plastics (%)

2.5 External Review

We have obtained a second opinion from Rating and Investment Information, Inc. (R&I), an independent external reviewer, on the conformity of the Framework with Green Bond Principles 2021 (ICMA) and Green Bond Guidelines 2022 (Ministry of the Environment, Japan).

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