

# Foundation and Sustainability to Support Growth

## Material Issues

In 2021, the Megmilk Snow Brand Group revised the Megmilk Snow Brand Group Sustainability Policy, updated and added to its key performance indicators (KPIs), and expanded their scope in order to encompass all of its stakeholders and deepen its commitment to address material issues. The Group promotes sustainability management and strives to improve sustainability while helping to resolve social issues.

### 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.

#### ■ Process for Identifying Material Issues (2018)



#### Legend

Scope	Fiscal Year Achieved
KPI content	
FY2021 Results	
Figures and initiatives	

## Material Issues

Food and Health

2 GOOD HEALTH AND WELL-BEING

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Core Activity Themes

Providing Safe Products and Services

C	FY2022	A	FY2022
	<b>75%</b> 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 recognized by GFSL.		Train certified sensory evaluation technicians with the ability to evaluate flavor.
	<b>110%</b> or more (compared to fiscal 2017 levels)		
FY2021 Results		FY2021 Results	
	<b>93%</b> have earned certification (As of April 2022)		1,601 43 certified sensory evaluation technicians + 929 at grade 1 + 629 at grade 2
			<b>124%</b> higher than in fiscal 2017

Core Activity Themes

Contributing to Extending Healthy Life Expectancy

A	Every year	D	FY2026
	Carry out research and development, product development, service provision and information transmission to contribute to the extension of healthy lives through milk.		Number of participants in food education activities: <b>45,000</b> (annual average)
FY2021 Results		FY2021 Results	
	■ Presented 10 research papers at conferences, published six papers in academic journals ■ Revamp of related websites, enhancement of information communication, and advertising to increase consumers' interest in bone care ■ Launch of two products containing the functional ingredient β-lactolin and two products containing N-acetylglucosamine		<b>44,376</b> (98.6% of target) Hybrid activities were actively carried out online and in-person

#### Scope (partly revised from fiscal 2021)

**A** Megmilk Snow Brand **B** Snow Brand Seed Co., Ltd. **C** 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. **D** Megmilk Snow Brand / Bean Stalk Snow Co., Ltd. **E** Megmilk Snow Brand / Ibaraku Co., Ltd. / Kohnan Oils and Fats Mfg. Co., Ltd. / Chokuhon Haisou Co., Ltd. / Michinoku Milk Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Snow Brand Seed Co., Ltd. / Bean Stalk Snow Co., Ltd. **F** Megmilk Snow Brand / Ibaraku Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd. **G** 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. **H** 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.

Dairy Farming

2 CLEAN WATER AND SANITATION

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

9 HEALTHY PEOPLE AND WELL-BEING

15 LIFE ON LAND

Core Activity Themes

Activities to Strengthen the Dairy Farming Production Platform

A	Every Year	B	FY2030
	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		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 <b>3%</b> compared to fiscal 2019 levels.
FY2021 Results		FY2021 Results	
	■ Provided operational support for research, a seminar, and a web-based course on improving management capacity held by Rakuseiken ■ Held the Japan Dairy Farmer's Research Association Conference online with over 250 viewers		<b>0.2%</b> increase (compared to fiscal 2019) Cleared base year level due to willingness to increase self-sustaining feedstuff production due to soaring imported feedstuff prices

Environment

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

Core Activity Themes

Preventing Global Warming

E	FY2030
	CO <sub>2</sub> emissions <b>50%</b> reduction (compared to fiscal 2013)
FY2021 Results	
	<b>18.4%</b> reduction (compared to fiscal 2013)

Core Activity Themes

Sustainably Using Resources

A	FY2022	A	FY2026	F	FY2030	A	Every Year
	Use <b>100%</b> environment-friendly raw materials in paper used		<b>100%</b> Procured from certified palm oil		reduction in use of petroleum-derived plastic (basic sales unit) <b>25%</b> (compared to fiscal 2018)		■ Priority given to use of paper and biomass plastic containers. ■ Encouragement of use of personal cups and bottles in office to reduce the amount of plastic bottles used.
FY2021 Results		FY2021 Results		FY2021 Results		FY2021 Results	
	<b>87.1%</b> Rate of use of raw materials friendly to environment		<b>20.4%</b> Certified palm oil usage rate		<b>2.5%</b> reduction (compared to fiscal 2018)		■ Conducted awareness-raising activities through the group newsletters and other efforts ■ Multiple departments set up "Bring Your Own Reusable Bottle Day" Implementation of visualization of amount of plastic bottles used

Core Activity Themes

Formation of a Recycling-based Society

G	FY2030	G	FY2030	F	FY2021	A	Every Year	A	FY2030	H	Every Year
	<b>30%</b> reduction in waste emissions (compared to fiscal 2013)		Maintain waste recycling rate at <b>98%</b> or higher		Food waste recycling rate of <b>95%</b> or higher		Pursue product development that considers the environment. Extend expiration dates for existing products and new products, actively promote labeling of expiration date by year and month		<b>9%</b> reduction in amount of water used at manufacturing sites (compared to fiscal 2013)		Confirm water risk at manufacturing sites and assess risk to business continuity.
FY2021 Results		FY2021 Results		FY2021 Results		FY2021 Results		FY2021 Results		FY2021 Results	
	<b>23%</b> reduction (compared to fiscal 2013)		<b>95.2%</b>		<b>86.2%</b>		■ Extended expiration for 12 products for household use and eight commercial products ■ Started switching straws for household products to use 5% biomass plastic		<b>8.2%</b> reduction (compared to fiscal 2013)		Confirmed water risk and assessed risk to business continuity

People and Society

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Core Activity Themes

Realization of a Diverse and Motivating Workplace

A	FY2025
	Percentage of female managers of <b>10%</b> or higher
FY2021 Results	
	<b>6.1%</b> (as of April 1, 2022)

Core Activity Themes

Achieving Work-life Balance and Improving Labor Productivity

A	Every Year
	Certified as a Health & Productivity Management Outstanding Organizations Recognition Program
FY2021 Results	
	Recognized as a Health & Productivity Management Outstanding Organizations 2021

Core Activity Themes

Respect for Human Rights

A	Every Year
	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.
FY2021 Results	
	Determination of KPIs and start of surveys and initiatives in FY2022

Core Activity Themes

Contributing to Local Communities

A	Every Year
	Work with the Community to Help Resolve Social Issues
FY2021 Results	
	■ Megmilk Snow Brand conducted "Natural Cheese Production Training" online with a focus on quality control, based on the Hokkaido Comprehensive Partnership Agreement ■ We promoted local collaboration with Ibaraki Prefecture, developed five collaborative dishes with vegetables and dairy products produced in the prefecture, posted them on the websites of Ibaraki Prefecture and Megmilk Snow Brand, served them at the Ibaraki Prefectural Government Office cafeteria, and set up recipe POP displays at retail stores

• **NEW** "New" indicates new KPIs from FY2022.



Material Issues

# Milk for Contributions to Food and Health

## Message from the Executive Officer Responsible for Sustainability

### We will Accelerate Initiatives for Decarbonization, Plastic Reduction, and Human Rights under the New Sustainability Promotion Structure

*Kendo Kenmin* (a healthy earth ensures human health), the founding spirit of Snow Brand Milk Products, the predecessor to Megmilk Snow Brand, means to contribute to people's health through highly nutritious dairy products. Together with the concrete method of "circular farming," it epitomizes modern sustainability. We believe that our efforts to solve the problems of modern society while leveraging our strengths through our dairy-based business are the embodiment of the Megmilk Snow Brand's *Kendo Kenmin* in our modern age, and promote sustainability management. Since last year, we have established a new structure for highly effective management, and will accelerate our sustainability management going forward.

On the other hand, there has been no change to the fact that ensuring compliance remains the basis of the management of Megmilk Snow Brand today, 20 years after the two incidents. In fiscal 2021, we established the Megmilk Snow Brand Group Charter of Corporate Behavior, which systematizes the philosophy and basic approach of the Megmilk Snow Brand Group. In this fiscal year, we revised the Megmilk Snow Brand Code of Conduct.

**Managing Executive Officer  
in Charge of Sustainability**  
Megmilk Snow Brand Co., Ltd.

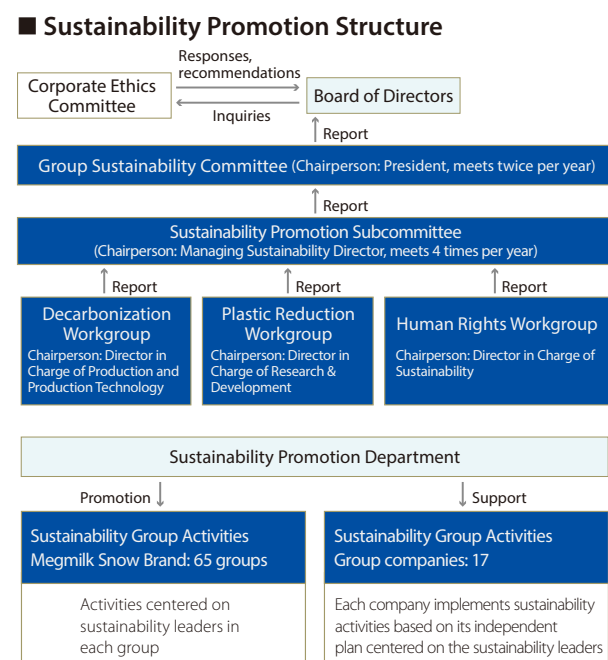
**Fumi Hatamoto**

The former CSR Department has been renamed to become the Sustainability Promotion Department, and we will continue to maintain our position on emphasizing compliance.

While leveraging the new sustainability promotion structure, we will focus on formulating more concrete action plans and roadmaps, as well as external public relations activities. In fiscal 2021, we began efforts for due diligence related to human rights to examine human rights issues in our supply chain. While engaging in dialogue with our stakeholders, we will strive to contribute to a sustainable global environment and solve social issues through our business.

## Establishment of the Sustainability Promotion Structure

In June 2022, the Megmilk Snow Brand CSR Department was renamed to become the Sustainability Promotion Department, and 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.



## Food Education Activities

In fiscal 2021, we conducted food education classes and various seminars for about 45,000 people. In addition, as new initiatives, we supported children's learning through the online "Summer Vacation Research Project Milk Class" and "Collaboration Project with Factory Tour," as well as the development and provision of on-demand content that can be used during school lunch time amidst the COVID-19 pandemic.



On-demand video "Milk Story"

"Life's Blessings"

## Holding Online Cheese Seminars

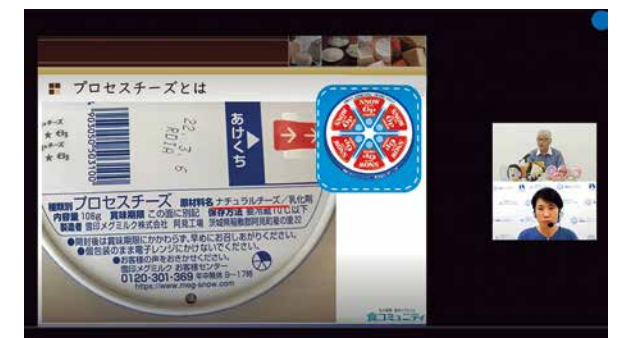
Megmilk Snow Brand offers free online cheese seminars for consumers via live streaming. In fiscal 2021, Hozumi Tanaka, former head of the Megmilk Snow Brand Cheese Research Laboratory and current technical advisor to Chesco Ltd., was invited as a lecturer for four sessions titled "Cheese is More Delicious and Fun When You Learn About It!" The seminar focused on representative products of Megmilk Snow Brand such as "6P Cheese," "Snow Brand Hokkaido 100 Natural Cheese," "Sliced Cheese," and "Sakeru Cheese," providing clear explanations of their features, the development processes, production methods, particulars on flavor and texture, and the appeal of cheese.

The first session had the theme "Secrets of 6P Cheese" and explained the secrets behind its long-time bestseller status since its launch in 1954. With videos of factory production and recipes, Tanaka introduced little-known information on how 6P Cheese is made and how it is blended to achieve a mild flavor suited to the Japanese palate.

Through seminars, Megmilk Snow Brand is working to increase consumer interest in cheese in order to raise demand for dairy products, and to promote cheese by introducing dishes using it as an ingredient and ways to eat cheese.



Filming the seminar



Online video

About the Megmilk  
Snow Brand Group

Message from the President

Value Creation by the  
Megmilk Snow Brand Group

Foundation and Sustainability  
to Support Growth

Corporate Governance

Company Information, Etc.



## Developing and Supplying Special Milk for Treatment of Congenital Metabolic Disorders

Special milk is powdered milk for people who were born with the inability to sufficiently metabolize amino acids. Babies undergo blood tests four to five days after birth. If the tests reveal metabolic abnormalities, babies are given special milk under the doctor's direction. For more than half a century, including the time of Snow Brand Milk Products Co., Ltd., Megmilk Snow Brand has been manufacturing and supplying special milk for the healthy development of such patients.

By continuing nutritional therapy with special milk, the number of patients reaching adulthood has gradually increased, and the amount of special milk required has also increased over the years. In response to this situation, Megmilk Snow Brand is operating a plant dedicated to the production of special milk to ensure quality and a stable supply.

As the first company in Japan to develop special milk, and based on our social responsibility that we must fulfill, Megmilk Snow Brand will keep working to ensure that patients can continue their nutritional therapy using special milk with peace of mind.

### ■ Special Formulas We Produce and Supply

Product		Main Target Illnesses	
Pharmaceutical products (2 products)	Snow Brand Phe-free Milk Compound	Phenylketonuria	
	Snow Brand Leu, Ile, and Val-free Milk Compound	Maple syrup urinary disease	
Registered special milk (6 products)*	Phe-free synthetic amino acid powder	Phenylketonuria	Protein / amino acid metabolism abnormality
	Met-free special formula	Homocystinuria	
	Phe, Tyr-free special formula	Hypertyrosinemia	
	Protein-free special formula	Hyperammonemia	Organic metabolic syndrome
	Ile, Val, Met, Thr, Gly-free special formula	Methylmalonic acidemia	
		Propionic acidemia	
	Lys, Trp-free special formula	Glutaric acidemia type I	

\* Manufactured and supplied in accordance with directive by the Special Milk Secretariat of the General Health Center for Women and Children, Imperial Gift Foundation, Boshi-Aiiku-Kai



## Receiving the Paper Award from the Japanese Society of Microscopy

In June, Megmilk Snow Brand received the Paper Award from the Japanese Society of Microscopy for its paper on electron microscopy of casein, the major protein in milk.

Changes in the state and structure of casein micelles in milk affect the manufacturing process and product characteristics of various dairy products. In this paper, it was found that 1) the diameter of colloidal calcium phosphate (CCP) in casein micelles with an average diameter of 140 nm is about 2 to 3 nm, 2) the average distance between CCP is about 5.4 nm and their distribution is non-uniform, and 3) there is an area in the casein micelles that does not contain CCP, with an average size of about 19.1 nm.

By clarifying the microscopic structure inside casein micelles, we understand how the physical properties of dairy products are formed, which will lead to the development of new technologies and products that leverage these characteristics and contribute to the development of delicious flavor and improved health.

(Summary of the awarded paper)

Title: Microstructural observation of casein micelles in milk by cryo-electron microscopy of vitreous sections (CEMOVIS)

Authors: Takamichi Kamigaki<sup>1</sup>, Yosiko Ito<sup>2</sup>, Yuri Nishino<sup>2</sup> and Atsuo Miyazawa<sup>2</sup>

<sup>1</sup> Milk Science Research Institute, MEGMILK SNOW BRAND Co., Ltd.

<sup>2</sup> Graduate School of Life Science, University of Hyogo

Journal of publication: *Microscopy*, 67(3), 164-170, (2018)



Casein micelles observed by electron microscopy

## Megmilk Snow Brand Group Environmental Policy

Based on the Megmilk Snow Brand Group Charter of Corporate Behavior, the Policy was revised in 2021 by adding initiatives such as “curb the emission of global warming gases and waste” and “conserve biodiversity.” All of our employees are committed to conducting business activities in an eco-friendly manner, making effective use of limited resources, and contributing to a sustainable global environment.

### 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.

## 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.

## ISO 14001 Certification

The Megmilk Snow Brand Group proactively engages in environmental conservation to reduce the environmental impact resulting from its business activities. To objectively present the results of these initiatives, several group companies have acquired ISO 14001 certification. At present, Megmilk Snow Brand Co., Ltd., Michinoku Milk Co., Ltd., Ibaraku Co., Ltd. and Yatsugatake Milk Industry Co., Ltd. have earned this certification.



Inspection (interviews with top management)



Inspection (Head Office)



Inspection (Fukuoka Plant)



Inspection (Kyushu Regional Sales Office)

Feature

Initiatives for the Task Force on Climate-Related Financial Disclosures (TCFD)

Continuous emissions of greenhouse gases are causing further global warming. The Megmilk Snow Brand Group is engaging in initiatives related to the TCFD for disclosure of the impact of climate change on the Earth.

1. Endorsement of the TCFD Recommendations and Membership in the TCFD Consortium

In October 2021, Megmilk Snow Brand endorsed the TCFD\*1 recommendations and joined the TCFD Consortium\*2. Based on the TCFD's recommendations, the Megmilk Snow Brand Group is assessing the risks and opportunities posed by climate change to its business and promoting information disclosure from four perspectives: Governance, Strategy, Risk Management, and Metrics and Targets.

2. Information Disclosure from Four Perspectives Based on the TCFD Recommendations

Governance

- The Megmilk Snow Brand Group firmly maintains its "reason for existing and purpose" expressed by *Kendo Kenmin* (a healthy earth ensures human health), which is the starting point of its corporate philosophy. We promote sustainability management with the aim of becoming a "company that society needs regardless of the age" which solves social issues in all areas of its value chain extending from our dairy farming origin.
- Megmilk Snow Brand has established three workgroups for each important theme (decarbonization, plastic reduction, and human rights) to discuss measures on an ongoing basis. The Sustainability Promotion Subcommittee receives reports from each workgroup and discusses general details related to climate change and sustainability at Megmilk Snow Brand. The Group Sustainability Committee manages the progress of KPIs for the entire Group and sets targets for sustainability management. The contents are reported to the Board of Directors for prompt decision-making and management strategies.

▶ P. 39 Sustainability Promotion Structure

	Manager	Frequency	Discussion Content
Board of Directors			Receives reports from the Group Sustainability Committee and exchanges views twice per year
Group Sustainability Committee	President	2 times/year in principle	Setting Group-wide sustainability management goals and managing progress, including climate change response
Sustainability Promotion Subcommittee	Managing Sustainability Director	4 times/year in principle	Discussion of the details of the Group's overall sustainability management measures, including climate change response
Decarbonization Workgroup	Director in Charge of Production and Production Technology	1 time/month in principle	Planning of measures to reduce greenhouse gas emissions
Plastic Reduction Workgroup	Director in Charge of Research & Development	1 time/month in principle	Planning of measures for plastic reduction
Human Rights Workgroup	Managing Sustainability Director	1 time/month in principle	Planning of measures related to human rights

Strategy

- This fiscal year, in accordance with the TCFD recommendations, we evaluated transition and physical risks for 18 items with a 3-point scale of importance for our main businesses (Dairy Products Business as well as the Beverages and Desserts Business), and identified 6 items as important items. Moreover, of the six items, four items with significant financial impact are listed in "3. Risks and Business Impact."
- Furthermore, for the important items, two scenarios (1.5°C increase scenario and 4°C increase scenario) were set based on information from the IPCC\*3 and the IEA\*4, and mid-to long-term climate change impacts were analyzed using 2030 and 2050 as timelines to select risks and opportunities and assess business impacts.
- In terms of risks and opportunities, we have established KPIs and are sequentially addressing risks. We will also further discuss opportunities and enhance our resilience.

▶ P. 68 Risk Management

Metrics and Targets

- Key Performance Indicators (KPIs) are set for each identified risk, and the status of efforts for these KPIs is disclosed on a regular basis.

Items	Assessment Details	KPIs	▶ P. 38 Material Issues
Carbon Price	• Promotion of decarbonization measures ▶ P. 46 Preventing Global Warming	• 50% reduction in CO <sub>2</sub> emissions by FY2030 (compared to FY2013)	
Shifts in Consumer Preferences	• Promotion of plastic reduction measures • Use of environment-friendly raw materials for paper • Procurement of certified palm oil ▶ P. 47 Sustainably Using Resources	• 25% reduction in use of petroleum-derived plastic by FY2030 (compared to FY2018) • Use 100% environment-friendly raw materials for paper used • 100% procurement of certified palm oil by FY2026	
Increasing Average Temperature	• Reduction in amount of water used at manufacturing sites • Activities to strengthen the dairy farming production platform	• 9% reduction in amount of water used at manufacturing sites by FY2030 (compared to FY2013) • 3% increase in the area of land planted with our feedstuff seeds by FY2030 (compared to FY2019)	
Increase in Frequency and Severity of Extreme Weather Events (Torrential Rains, Floods, etc.)	• Confirmation of water risks at manufacturing sites • Introduction of emergency power generators at seven plants in Hokkaido ▶ P. 68 Installation of Emergency Power Generators	• Confirm water risks and assess risk to business continuity (every year)	

\*1 The Task Force on Climate-related Financial Disclosures was established by the Financial Stability Board (FSB) in response to the wishes of the G20 finance ministers and central bank governors.  
\*2 The Consortium provides an opportunity for discussion on effective disclosure of information by companies endorsing the TCFD and efforts to link disclosed information to appropriate investment decisions by financial institutions and others.  
\*3 Acronym for the Intergovernmental Panel on Climate Change. The IPCC was established in 1988 by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) to conduct comprehensive assessments of anthropogenic climate change, impacts, and measures for adaptation and mitigation from scientific, technical, and socio-economic perspectives.  
\*4 Acronym for the International Energy Agency. The IEA is a sub-organization of the Organisation for Economic Co-operation and Development (OECD) whose purpose is to ensure energy security, particularly oil. It is an organization on the side of oil-consuming countries and aims to compete with the Organization of the Petroleum Exporting Countries (OPEC). It was established in 1974, following the first oil crisis, at the suggestion of the then-Secretary of State of the United States.

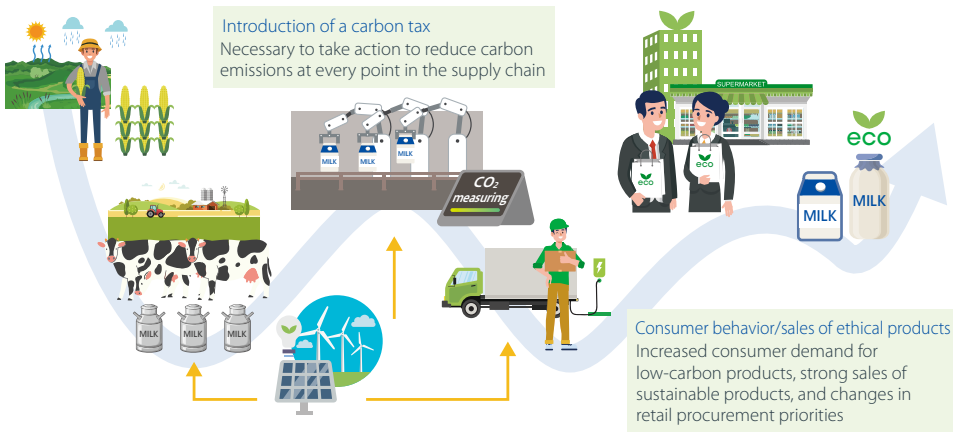
3. Risks and Business Impact

The impact of the most important risks was analyzed under two temperature increase scenarios (1.5°C scenario and 4°C scenario). Under the 1.5°C scenario, the transition risks of "cost increase due to carbon price" and "loss of demand due to delay in responding to ethical consumption" had a significant impact. Under the 4°C scenario, the physical risks of "impact on milk production and costs due to higher average temperature" and "suspended operations due to natural disasters such as torrential rains and floods" had a significant impact.

Risk Items			Business Impact Around FY2050		
Category	Broad Category	Narrow Category	Study	Level of Impact*5	
				1.5°C	4°C
Transition Risks	Policies and Law	Carbon Price	■ The introduction of a carbon tax would impose a tax on fuels used in plants and the transportation of goods, which would increase manufacturing and transportation costs. In addition, manufacturing costs at plants in countries and regions with high carbon taxes may increase, resulting in higher cost of sales.	Large	
	Reputation	Consumer Preferences (Response to Ethical Consumption*6, etc.)	■ Consumers may become more interested in the use of natural materials, packaging recycling, CO <sub>2</sub> emissions, and other such matters, and purchase products from companies that are proactive in climate change initiatives, leading to increased or decreased sales.	Medium	Small
Physical Risks	Chronic	Increasing Average Temperature	■ As the production of fresh milk, a major raw material, decreases due to the increasing average temperature, dairy farmers will need to take more heat-related measures (feeding management, barn environments) than before, which may increase raw material procurement costs, resulting in higher cost of sales. ■ Water resource shortages due to the increasing average temperature could adversely affect the supply of raw materials that consume large amounts of water as well as operations at manufacturing and processing sites, creating increased water risks and higher costs to operate facilities due to tighter regulations, resulting in higher cost of sales and SG&A expenses.	Small	Medium
	Urgent	Increase in Frequency and Severity of Extreme Weather Events (Torrential Rains, Floods, etc.)	■ Natural disasters (torrential rains, floods, etc.) brought about by climate change may cause significant damage to manufacturing sites and distribution channels, with the potential for suspended operations and delivery disruptions. In addition, yields of biological resources such as pasture grass and feedstuffs may decrease, leading to higher procurement costs. Furthermore, costs may be incurred for restoration of manufacturing and logistics facilities, as well as insurance premiums for facilities in high-risk areas. As a result, this could lead to a decrease in sales, an increase in SG&A expenses, losses, and other adverse effects.		Small

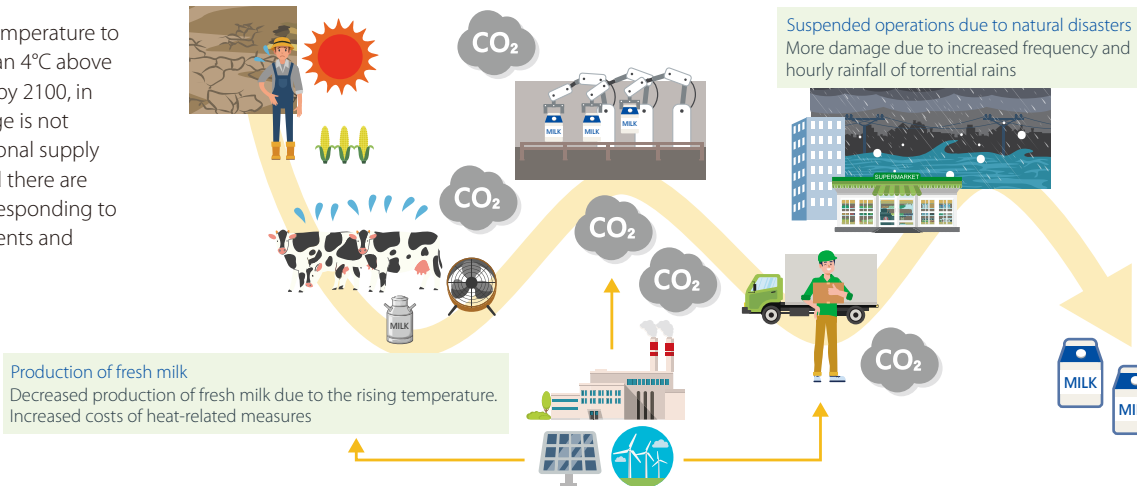
1.5°C Increase Scenario

Society has kept the temperature increase to below 1.5°C by 2100 compared to pre-industrial levels, for which costs are required to address climate change and reduce carbon emissions, while at the same time there is increased demand for more sustainable products, including through ethical consumption



4°C Increase Scenario

Society allows the temperature to increase by more than 4°C above pre-industrial levels by 2100, in which climate change is not addressed, conventional supply chains continue, and there are necessary costs for responding to extreme weather events and natural disasters



\*5 The financial impact of each risk listed in the risk items column is indicated as being large, medium, or small according to the degree of impact.  
\*6 Consumption behavior that takes into account people, society, the community, and the environment, including community revitalization, employment, and other aspects.



Environmental Audit System

Environmental audits include external inspections conducted by an inspection agency and an internal audit conducted internally. These inspections are used to comprehensively confirm the status of EMS operations and legal compliance. Internal environmental audits at Megmilk Snow Brand Co., Ltd. are a combination of a first-party audit conducted by the Production Department and a second-party audit conducted by the Sustainability Promotion Department. Through the first-party audit, auditors closely familiar with the relevant tasks enable workflow improvements, while the second-party audit involves a legal check from an objective perspective that helps to identify problems.



Internal environmental audit (Cheese Research Laboratory)

Environmental Education

Environmental education conducted by the corporate EMS office helps improve environmental awareness using various environmental education systems, including environment-related e-learning, basic environmental training for sales and management staff to learn the basics of ISO 14001 and environmental laws and regulations, and internal environmental auditor training to develop internal environmental auditors. For the environment-related e-learning, all Megmilk Snow Brand Co., Ltd. executives and employees are required to complete the general education course. In addition, environment-related e-learning for Group companies was started last fiscal year.



Environmental training (online)

Procurement Activities to Achieve a Sustainable Society

We will procure raw materials and the like with attention to fair trade, social responsibility such as human rights and the environment, and sustainability, in line with the Megmilk Snow Brand Group Procurement Policy. We also regularly carry out surveys on our business partners' initiatives.

Megmilk Snow Brand Group Procurement Policy

The Megmilk Snow Brand Group applies its Group corporate philosophy and the Megmilk Snow Brand Group Sustainability Policy to take a leading role in working with business partners to promote socially responsible procurement activities and contribute to the realization of an enriched and sustainable society.

1. Legal Compliance and Respect for Social Norms

- Conduct procurement activities that adhere to the relevant laws and respect the social norms of relevant countries.
- Conduct socially responsible procurement activities, including respecting basic human rights and working to improve the labor environment.

2. Ensure Quality and Safety

- Conduct procurement activities that ensure high quality and safety of our products.
- Conduct procurement activities that enable us to provide products at stable and appropriate pricing.

3. Conduct Fair Trade

- Conduct fair trades with business partners.
- Appropriately manage personal information and confidential information related to procurement transactions.

4. Environmental Consciousness

- Dairy farming, the foundation of our business, is only possible with a vast natural environment. To contribute to the realization of a sustainable society, respect biodiversity and conduct environmentally conscious procurement activities.

Preventing Global Warming

Energy Conservation Through Installation of Free Cooling Facilities

Megmilk Snow Brand has been working to install free cooling facilities that leverage the cold climate at its Taiki Plant as a new energy conservation measure for the existing brine cooling system. Free cooling involves facilities that utilize natural energy to cool brine with outside air using cooling fans and heat exchangers when outside temperatures drop. The cooler the outside temperature, the more effective it is. Its operating efficiency is about three times higher than that of conventional cooling equipment. The cooling system with free cooling has reduced electricity consumption by about 30% compared to the previous system during the cold winter season.



Free cooling facilities

Energy Conservation Through Hybrid Operation of CO2 Cooling Equipment

In recent years, amid global calls for measures to combat ozone layer depletion and global warming, attention is increasingly focusing on natural refrigerant gases used in refrigeration and cooling equipment. At the Noda Plant, the product refrigerators were upgraded to CO2 chillers, a first for the Megmilk Snow Brand. CO2 chillers are characterized by their higher efficiency compared to existing R410A chillers when outside temperatures are high. They are also more efficient when outside temperatures are low. In renewing the existing R410A chillers, the CO2 chillers were combined with the R410A chillers to create a hybrid system so that the higher-efficiency chillers can always be operated first, depending on the season. As a result, electricity consumption was reduced by approximately 40% compared to before the upgrade.



CO2 chillers

Energy Conservation Through Upgrading Ice Builder

Ibaraku Co., Ltd. took energy conservation measures to decrease energy consumption in order to reduce its impact on the environment. The ice builder (ice thermal storage tank), which was upgraded in March, has an ice thermal storage unit about 1.7 times larger than before. The chiller is operated by maximizing the use of nighttime electric power to improve the ice storage capacity during nighttime hours. The improved nighttime ice thermal storage capacity of the coolant water used for cooling products and other purposes has made it possible to significantly reduce daytime chiller operation time compared to the past. In addition, the use of inverters for the chillers and water pumps has reduced electricity consumption by about 13% compared to before.



Ice builder



Dairy Farming

Material Issues

# Contributing to Sustainable Dairy Farming

## Formation of a Recycling-based Society

### Reduction of Water Consumption by Backwash Water Membrane Treatment at a Filtration Facility

Megmilk Snow Brand uses well water at its Fukuoka Plant, and has installed a filter to remove impurities. If water continues to pass through the filter, the filter media will become blocked, so the filter must be backwashed periodically to remove impurities attached to the filter media. The water used for backwashing accounts for about 5% of the well water pumped, which is a large portion. In order to make effective use of the backwash water, a new membrane filtration facility that can treat the water up to potable level was installed to save water. As a result, water consumption was reduced by about 14,000 m<sup>3</sup> per year.



Membrane filtration facility

### Food Product Recycling for Individually Packaged Cheese

Megmilk Snow Brand is working to curb the generation of food waste at each of its plants. In the event of food waste generation, we promote efforts to recycle as much of the food as possible.

The Ami Plant and a pig farming company jointly developed a technology to separate aluminum from cheese individually packaged in aluminum. This waste, which previously had to be incinerated, is now successfully reused as pig feed. As a result, the Ami Plant's food product recycling rate has improved significantly, reaching 99% as of March 2022.



Machine for separating cheese and aluminum

## Sustainably Using Resources

### Energy Conservation and Plastic Reduction Through Changing a Shrink-wrapping Style

The Megmilk Snow Brand has adopted a new "tight wrapper" machine which does not require heat shrinking at its Toyohashi Plant, and has reduced plastic usage by 37.5% compared to before. Conventional shrink-wrapping machines cover the entire cardboard case with shrink film and heat-shrink it, so it is necessary to wrap a large film around the cardboard case. However, the tight wrapper machine does not require film shrinkage, making it possible to shrink-wrap cardboard cases with the minimum amount of film required. In addition, heat, which used to be required to shrink the film, is no longer necessary, which improves the working environment and saves energy.



Tight wrapper packaging machine

### Research and Development Center for Dairy Farming Symposium

The Megmilk Snow Brand Research and Development Center for Dairy Farming (established in 1976) carries out field research and business management support activities related to dairy farming, and has held the Dairy Farming Symposium every year since 1978.\* The Dairy Farming Symposium contributes to dairy farming production by providing proposals, knowledge, and information from experts on everything from institutional policies to technologies used in production, fostering common understanding through discussions with participants, and utilizing and spreading knowledge and technologies.

In fiscal 2021, three lecturers spoke on "Protecting Farms from Invisible Enemies" as the third installment of the "Risk Management for Dairy Farms" theme from fiscal 2019. The Symposium was held online like in the previous fiscal year in light of the COVID-19 pandemic, and over 200 people participated. Through such efforts, the Research & Development Center for Dairy Farming will continue to contribute to the sustainable growth of dairy farming.

\*At that time, the group's name was the Dairy Farming Conference.

#### ■ Outline of the Dairy Farming Symposium in Fiscal 2021

Subject	Increased risk of communicable and infectious diseases in dairy farming (factors: progress of globalization, changes in animal feeding patterns, rapid promotion of livestock production in emerging countries, etc.)
Description of lectures	Lecture 1: Message from Miyazaki Dairy Farmers: Communicating the Threat of Hoof-and-Mouth Disease Lecture 2: The Vaccination Frontlines to Protect Farms Lecture 3: Factors Causing Mastitis at Dairy Farms and Their Countermeasures.

#### See the website for details

Details on the Research and Development Center for Dairy Farming  
Viewable at the link below or by scanning the code on the right.  
<https://www.rakusouken.net/>



### Japan Young Dairy Farmers Research Association (Rakuseiken)

Established in Hokkaido in 1948, Rakuseiken is the oldest research organization of dairy farmers in Japan. Led by Torizo Kurosawa, it began its activities in the postwar period when dairy farming was revived.

Today, it has expanded its activities nationwide and is composed of about 1,600 dairy farmers. The Snow Brand Megmilk Group has served as the secretariat of Rakuseiken since its establishment and continues to support its activities.

The Japan Dairy Farmers Research Association Conference, in which dairy farmers present their management achievements, is held by Rakuseiken once per year. It was held for the 72nd time during fiscal 2021. The Kurosawa Award, the grand prize, was conferred to Ryuichi Murasaki of Taiki Town, Hokkaido.

\*Kurosawa was born in 1885. He founded Snow Brand Milk Products (Hokkaido Cooperative Creamery Association), one of the predecessors of Megmilk Snow Brand, and Rakuno Gakuen University (Hokkaido Dairy Farming School). He worked hard for the development of Hokkaido as well as dairy farming in Japan.

#### ■ Theme of the Kurosawa Award Aiming for Self-sustaining, Flexible, and Sustainable Dairy Farms

- Management philosophy: "Maximize performance with existing resources, without putting undue burdens on people or cows"
- Collection and visualization of field data for high-quality feedstuff production
- A halt in large investments, including the installation of ICT equipment and construction of free stall barns

- Production of high milk quality and stabilized management from high-quality pasture grass
- Decentralization of the workforce and more flexible working hours in conjunction with the grass harvesting season
- Reduction of the burden on the next generation through curbed investment



Ryuichi Murasaki

## Voice

### Dispatch From Nishiyama Farm! Conveying the Appeals of Dairy Farming to Consumers

My ideal is to have a non-burdensome dairy farm with natural harmony between the cows, people, community, and stores, where the cows are milked at the beginning and end of the day.

We started an ice cream factory 22 years ago as a 6th industry effort. We always endeavor to keep the farm organized and tidy so that consumers will have a good impression of dairy farming.

Following on from ice cream, we currently operate a cheese factory and a pizza restaurant, and also offer ranching and butter-making experiences. We also actively participate in delivery programs to nearby elementary schools and others. Amidst the COVID-19 pandemic, we have conveyed information through social media and our website, and also took on the challenge of offering remote farming experiences.

I would like to continue my lifework of conveying the appeals of dairy farming in my hometown of Yokawa-cho (Hyogo Prefecture), and conducting activities that make people love cows and milk more.



Yokawa-cho, Miki City,  
Hyogo Prefecture  
Dairy Farmer  
Minori Nishiyama  
Recipient of the Honorable  
Mention at the 72nd Japan Dairy  
Farmers Research Association  
Conference

About the Megmilk  
Snow Brand Group

Message from the President

Value Creation by the  
Megmilk Snow Brand Group

Foundation and Sustainability  
to Support Growth

Corporate Governance

Company Information, Etc.



## Message from the Executive Director Responsible for Personnel

**We will Ensure Sustainable Corporate Growth by Having a Diverse Workforce that Embodies the Megmilk Snow Brand Values and Feels Fulfilled by and Grows with Their Work**

### Approach to Human Resources Strategy

In the midst of major environmental changes with an uncertain future, it is essential for our core human resources to grow and be active in order to realize our corporate philosophy and achieve sustainable growth. Due to the fact that people nurture companies and companies can also nurture people, it is important for organizational growth to have all employees act on their own intrinsic motivation\* to proactively put the philosophy into practice and grow.

Among the various management resources, human capital is the only form of capital that has emotions. Depending on employees' feelings and awareness, there are times when human capital is lively, and other times when it is not. In operating businesses that draw on the strength of our employees, we focus on creating a "motivating" work environment where employees can work with feelings and awareness of pride, joy, and hope in their own business activities.

\*A state of being motivated by one's own interests, feelings, and wants

### The Core Human Resources That We Seek

The core human resources that the Megmilk Snow Brand Group seeks are those who possess the three "self-motivated, challenge, and teamwork" qualities that are set forth in the Megmilk Snow Brand Values. Diversity is also an essential requirement. We believe that we cannot grow without taking on challenges, so we are seeking human resources who do not set limits on their own potential, but rather work proactively to achieve their goals in cooperation with those around them, while also taking a positive view of changes in the environment and enjoying their work.

Taking on challenges is essential to develop the still unlimited potential of milk. Our founders, who took on the challenge of selling Hokkaido-produced butter in Tokyo at a time when there were no refrigerators, had strong aspirations to improve the health of the people and contribute to dairy farming production. Inheriting this DNA, we will take on the challenge of expanding the possibilities of dairy products, increasing their added value, and delivering them to people not only in Japan but also in countries where there is little culture of eating dairy products.



**Representative Director and Executive Vice President  
Overall Management and Assistant to the President  
In Charge of Personnel and Internal Audit  
Deputy Manager of Accounting & Finance  
Megmilk Snow Brand Co., Ltd.**

**Hideki Motoi**

### Increased Investment in Human Capital

With regard to human resource development, we have systematized the conduct, skills, and knowledge required at each position and have focused on skill acquisition for the purpose of leadership development. We have strengthened our investment in human capital centered on skills training for interested employees and career planning, expanding our program more than three times since five years ago when the Long-Term Vision started, and providing over 100 items of e-learning content.

For young and mid-career employees, we provide a wide range of growth opportunities, such as global human resource development through in-house recruitment and participation in cross-section projects. For the next generation of leaders, we develop them through external schools, strategic dispatches to group companies, and experience with tough assignments in large-scale projects.

### Toward Securing Core Human Resources

Our focus going forward will be on three areas: promotion of diversity, human resource development, and health management. At the core of diversity is the promotion of women's active participation in the workplace. As we have established systems to support work-life balance, we will focus on support for women's activities that provides more detailed opportunities and development, aiming to achieve an over 10% rate of women in management positions by the end of March 2026. With regard to health management, in April 2021, we set forth the Megmilk Snow Brand Health Declaration and launched it as a full-fledged company-wide initiative. We will continue to strive to achieve work-life balance and improve labor productivity, and aim to be continuously recognized as a Health & Productivity Management Outstanding Organization. Through these efforts, we will continue to make Megmilk Snow Brand an appealing company where people from diverse backgrounds want to work.



People and Society

Material Issues

## Realization of a Diverse and Motivating Workplace

### Human Resource Development

The Megmilk Snow Brand Group conducts human resource education for all Group employees based on the philosophy that people are its greatest assets. As such, the Group provides programs focused on skill development and offers career development support aimed at raising employees who take the initiative in their own work and take up challenges.

#### ■ Skill Development

We held training to enhance the business skills, mindsets, and concepts needed for each role and rank and training aimed at reinforcing specialized knowledge and skills for interested employees on topics such as accounting and logical thinking. These training programs were held online to curb the spread of COVID-19.



Accounting business skill training for proposed interested employees

#### ■ Career Development

In addition to special career planning workshops for all employees aged 30 and 38 which were aimed at helping participants actively and independently shape their future careers by reflecting on their past work experiences and organizing their own strengths and treasured values, we also held special career planning workshops for all employees aged 45 and 50. Moreover, we implemented the "Career Support" program for newly appointed management personnel to help them design their own careers as well as to develop the skills to support their subordinates in independently designing their own careers and growing.

(Some programs only had participation from Megmilk Snow Brand and Bean Stalk Snow)

### Diversity and Inclusion

Megmilk Snow Brand works to ensure diversity in human resources and create an environment that enables them to demonstrate their abilities, and has positioned and promoted women's active participation in the workplace at the core of its efforts.

#### ■ Promoting Human Resource Diversity, Utilizing Questionnaires

We conduct an employee awareness survey every three years on the diversity of human resources and working styles. We are analyzing the results of a survey conducted in May 2022 to address issues related to ensuring a diverse environment inclusive of employees providing nursing care to family and LGBTQ+ employees, and supporting independent career development.

#### ■ Support for Childcare Leave Takers

We provide programs that support a balance between having/raising children and work. These programs, available to male and female employees taking childcare leave, include systems for remaining connected and carrying out self-development and pre-return interviews during leave. We have continuously held the "Mirai Café for after Childcare Leave" online since 2021 for female employees who took childcare leave and are now raising preschool age children while working in order to share concerns about balancing work and child-raising and experiences with and ideas on child-raising. In addition, the superiors or department heads of leave-takers complete e-learning modules to better understand the workstyles and methods available to support employees who are raising children. From fiscal 2022, in anticipation of the October revision of the Child Care and Family Care Leave Law, we introduced an e-learning program for all management positions to support the promotion of male employees taking childcare leave.

#### ■ Enhancing the Leadership of Women

To promote further career advancement for women, we dispatched female employees who responded to an open call for external career development training designed to raise the awareness of women in the workforce of the importance of being proactive while boosting their ability to enhance organizational results.

This enabled them to gain an awareness of new values that they could not have gained within their own companies and also strengthened the awareness, skills, and thinking techniques these women need to advance their careers. These programs also helped women build their external networks.

#### ■ Understanding of Unconscious Bias

We are working to provide basic knowledge of unconscious bias to reduce stress in the workplace and enable working in a more successful manner. An e-learning course on consideration, speech, and behavior was taken by all managers, senior staff, and deputy senior staff through fiscal 2020, as well as 71 new managers, senior staff, and deputy senior staff personnel. In November, an online seminar was held for all management personnel, featuring Tomotaka Moriya, President of the Unconscious Bias Laboratory, as the lecturer.

## ■ Diversity and Inclusion Initiatives

The Chokuhan Haisou Co., Ltd. Tomisato Center utilizes assist suits, which were adopted at the suggestion of a female delivery worker.

At the convenience stores, one container carried from the delivery truck weighs about 20 kg, which is heavy work for women. As she wanted to continue working for a long time, she proposed to her supervisor the introduction of assist suits for work that would prevent back pain and injury, and selected one after trying several different types. Employees appreciate the suits' effects of preventing injury and supporting posture even after long hours of driving, and the suits are now beginning to be widely used by non-female delivery workers and other delivery centers.

In addition to this initiative, female employees of the Center have discussed and proactively initiated efforts to reduce the environmental impact of their workplace and promote the SDGs. They are actively engaged in activities such as registration with the Chiba Prefecture "CO2CO2 (Kotsukotsu) Smart" Declaration Workplace Premium Course, registration with the "Chiba SDGs Partner Registration System," and pull-tab and plastic bottle cap donations.



Chokuhan Haisou Co., Ltd. Tomisato Center

## Spreading the Megmilk Snow Brand Values / Megmilk Snow Brand Awards 2021

Megmilk Snow Brand launched the Megmilk Snow Brand Awards, a new system to recognize outstanding initiatives that demonstrate our values, with the aim of spreading the Megmilk Snow Brand Values.

In 2021, the first year of the awards, the President's Award, Vice President's Award, and Judges' Special Award were selected from among 55 entries, and the awards ceremony was held online in October.



President's Award winner: Automation of Sakeru Cheese Inspection Work Using AI

## Achieving Workstyle Reform and Work-life Balance

Megmilk Snow Brand has been addressing workstyle reforms since fiscal 2016 by promoting web conferencing, streamlining operations through the introduction of IT tools, and introducing a telecommuting program. This has played a major role in addressing the increase in telecommuting and ensuring employee safety during the COVID-19 pandemic. In June 2020, we began the New Workstyle Project to consider workstyles going forward in response to changes in workstyles caused by the pandemic. We developed rules to prepare for the arrival of a remote work society (YMR) and began initiatives that would allow employees to work in a way that both raises corporate value while improving employee satisfaction.

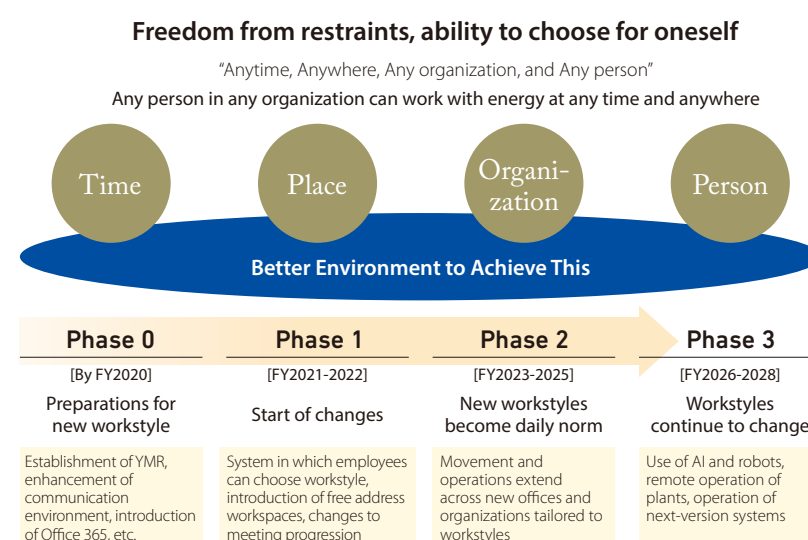
In addition, based on the results of internal monitoring on YMR conducted in January and August 2021 and other factors, we are considering further expansion of the remote work environment and other necessary measures after clarifying them. Furthermore, our efforts to reduce overtime hours (general employees, 28.1% reduction compared to the first half of fiscal 2015) and to increase the rate of paid leave utilization by employees (all employees, 73.2% utilization rate, 121% compared to FY2015), which we have been working on for some time, are also steadily producing results.

### Introduction of Megmilk Snow Brand Remote Work Management (YMR)

- Establish rules and start implementing them to prevent work stoppage and loss of productivity even with a certain number of remote workers (From October 2020)
- Conduct periodic monitoring to recognize changes in the social environment and new issues, update rules, etc. (Implemented in January and August 2021)

### New Workstyle Initiatives

- Work together to increase corporate value and employee satisfaction
- Aim for workstyles that can be chosen by employees, toward realizing workstyles filled with diversity



Office 365 is a registered trademark or trademark of Microsoft Corporation in the United States and other countries.

# Human Rights

## Megmilk Snow Brand Group Human Rights Policy

In recent years, corporate activities have become more global, and companies are asked to take specific actions to respect human rights along the supply chain. The Megmilk Snow Brand Group believes that it is extremely important to respect human rights in order to resolve social issues and grow sustainably with society through its business activities. Following its signing of the United Nations Global Compact in June 2020, Megmilk Snow Brand established the Megmilk Snow Brand Group Human Rights Policy, in line with the UN's Guiding Principles on Business and Human Rights, in June 2021 in order to address human rights issues in its supply chain.

See the website for details

### Details on the Megmilk Snow Brand Group Human Rights Policy

Viewable at the link below or by scanning the code on the right.  
<https://www.meg-snow.com/english/about-us/respectinghumanrights/>



## Preparation for Implementation of Human Rights Due Diligence

In order to promote programs to respect the human rights stipulated in the Megmilk Snow Brand Group Human Rights Policy, we follow human rights due diligence to identify the risk of human rights violations resulting from business activities and plan for measures to prevent and alleviate such risks. In order to add the perspective of human rights issues that are being emphasized in the international community and to ensure that our efforts are legitimate and objective, we are receiving advice from Caux Round Table, an organization specializing in human rights issues.

In fiscal 2021, we made the following efforts to identify and specify human rights risks.

- ① We received a preliminary interview from CRT regarding the business model of Megmilk Snow Brand. (September)
- ② We held a workshop with the participation of the Managing Sustainability Director and related departments (Personnel Department, Public Relations & Investor Relations Department, Sustainability Promotion Department, Internal Audit Department, Production Department, National Chain Store Sales Department, Logistics Department, Dairy Department, and Purchasing Department) of Megmilk Snow Brand. After a lecture by CRT on global trends in business and human rights, participants discussed human rights issues in their business activities and identified potential human rights risks in the supply chain. (November)
- ③ Analysis was conducted by CRT on the potential human rights risks identified. (December)
- ④ We received a report from CRT on human rights risks with high impact on Megmilk Snow Brand and society, and identified the "priority human rights risks." (January-March 2022)



Workshop to identify potential human rights risks

### Priority Human Rights Risks

- Foreign workers in plants
- Foreign workers at dairy farming production sites
- Small-scale palm farms





People and  
Society

Material Issues

# Contributing to Local Communities

## Human Rights Impact Study

For each human rights risk identified, the following study was conducted.

### Foreign Workers in Plants

In July 2022, CRT, as a third party, conducted a human rights impact study in the form of in-person interviews respectively with 10 foreign employees, the Ami Plant general manager, deputy general manager, and head of the General Affairs Section in order to ascertain the actual working conditions of foreign employees with "specified skill" status at Megmilk Snow Brand's Ami Plant. The assessment was as follows, as confirmed by the Dhaka Principles for Migration with Dignity\*.

- No negative impacts were observed on the human rights of foreign employees, such as forced long working hours, non-payment of wages, or working under hazardous conditions.
- Relationships between foreign and Japanese employees were good, and a stance of mutual respect was observed.
- The company's commitment to creating a favorable work and living environment was clear, as evidenced by the fact that the Ami Plant provides single rooms for foreign employees among other measures, positioning them as important human resources for the plant.
- The plant has an environment where open communication is encouraged and any concerns can be discussed with workplace leaders. It is expected that the plant will enhance the relationship of trust through more even more courteous management in the future.



In-person interviews

\*Announced by the Institute for Human Rights & Business (IHRB) in December 2012 after a series of consultations with companies, NGOs, labor unions, and governments. 10 principles are established under the two core principles of "All workers are treated equally and without discrimination" and "All migrant workers enjoy the protection of employment law."

### Foreign Workers at Dairy Farming Production Sites

In June 2022, CRT, as a third party, conducted a human rights impact study in the form of in-person interviews respectively with four foreign employees, managers, and supervisors, in order to ascertain the working conditions of foreign workers with "technical internship" and "specified skill" status employed by dairy farmers in areas where Megmilk Snow Brand receives raw milk supplies. Using the same methodology as in the study at the Ami Plant, the following assessment was made after the interviews.

- There were no human rights issues (such as long working hours, discrimination, etc.) related to "technical internship" and "specified skills" status that are generally considered to be of concern.
- The study showed an awareness of the importance of foreign employees as an indispensable part of the labor force and human resources.
- The managers and supervisors are trying to create a good working environment, such as by providing opportunities to have meals among employees, including foreign workers, and actual efforts were observed to build a good relationship of trust.

### Small-Scale Palm Farms

Palm oil is oil obtained from the fruit of the oil palm, and demand for palm oil has been increasing worldwide in recent years. As a result, it has been pointed out that many tropical rainforests have been illegally logged and burned due to plantation development, particularly in Malaysia and Indonesia, and have also become a hotbed of human rights abuses such as forced labor and child labor. In response to these problems, Megmilk Snow Brand has created and disclosed a mill list that consolidates the names and locations of oil mills in order to improve the traceability of palm oil.

See the website for details

#### Mill List

Viewable at the link below or by scanning the code on the right.  
[https://www.meg-snow.com/csr/pdf/mill\\_list.pdf](https://www.meg-snow.com/csr/pdf/mill_list.pdf)



## In-House Initiatives for Spreading Understanding

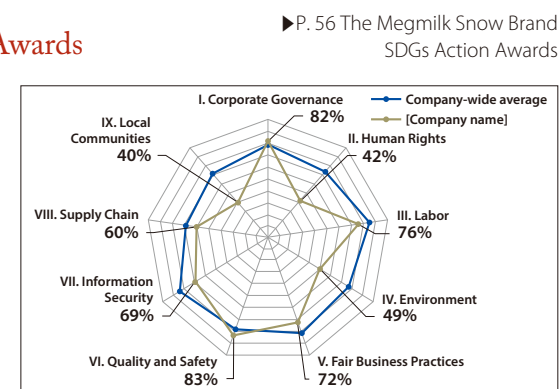
In January 2022, an online lecture was given by Hiroshi Ishida, Executive Director of CRT, as a way to spread understanding of the concept of respect for human rights based on the "Megmilk Snow Brand Group Human Rights Policy."

► P. 67 Activities to Ensure that Incident is not Forgotten and Passing on Accounts of the Incident



### The Megmilk Snow Brand SDGs Action Awards Implementation Category, Grand Prize

The Purchasing Department conducted a CSR Procurement Assessment consisting of 114 questions in nine categories, including corporate governance, human rights, and the environment, for 245 suppliers. The results of the comparison between the overall average and the company's points were provided as feedback to each company to encourage their efforts. The department was recognized for its activities to build a better society in cooperation with its suppliers.



Example of feedback

## Collaboration with Local Communities

### Hokkaido Comprehensive Partnership Agreement

The Megmilk Snow Brand Group signed a comprehensive partnership agreement with the Hokkaido Prefectural Government in 2007.\* Taking advantage of the technology it has developed in dairy product manufacturing, the Group is working to help revitalize the Hokkaido economy in the areas of dairy farming and food.

\*The agreement signed in 2007 was between the Hokkaido Prefectural Government and Snow Brand Milk Products Co., Ltd., Snow Brand Seed Co., Ltd., and Snow Brand Parlor Co., Ltd.

See the website for details

#### Details of the Hokkaido Comprehensive Partnership Agreement

Viewable at the link below or by scanning the code on the right. (Japanese only)  
<https://www.meg-snow.com/csr/link/>



### Sapporo Urban Development Partner Treaty

Sapporo City and Megmilk Snow Brand signed a Sapporo Urban Development Partner Treaty in 2012. The Company donates to the Support Hotto Fund based on the number of visitors to the Megmilk Snow Brand Museum to support activities encouraging healthy childrearing. It also provides a wide range of support and cooperation, including the provision of milk to health center staff and others during the COVID-19 pandemic.

### Regional Revitalization Through Sports (Sapporo City)

Megmilk Snow Brand will present the Megmilk Snow Brand Sports Promotion Donation to Sapporo City for 10 years from fiscal 2021 to 2030 to help realize a vibrant society through sports. Megmilk Snow Brand and Sapporo City will use the donation to jointly work on expanding the number of people who play winter sports which has been declining, improving the technical skills of athletes, and promoting health through food.



From left: Director Okabe of the Megmilk Snow Brand Ski Team, General Manager Harada, President Masatoshi Sato, Sapporo Mayor Katsuhiko Akimoto, and then-Sapporo Sports Affairs Bureau Director General Nakata

### Initiatives with Miyagi Prefecture

Megmilk Snow Brand is a company that supports the Smart Miyagi Healthy Citizen Council (unofficial translation). We promote co-creation with Miyagi Prefecture and the local community to realize the health and happiness of the people of Miyagi Prefecture. In a tie-up with Miyagi Television Broadcasting, tips and recommended recipes for losing weight from dietary habits were introduced in the informational television program "Let's Try! Health Project Corner for Everyone." In addition, we jointly developed recipes with a local company and introduced them in stores on how to make cheese rich and tasty while taking into account the salt content.



Salmon "Camembert Fondue"



## ■ Joint Initiatives with Ibaraki Prefecture and Mass Retailers in the Prefecture

Megmilk Snow Brand and Ibaraki Prefecture are cooperating to address the issues of vegetable and calcium deficiency among Japanese people, and are working together to increase consumption of vegetables and dairy products produced in Ibaraki Prefecture. In January 2022, as a further initiative, we conducted a joint campaign with Ibaraki Prefecture and mass retailers in the prefecture. An original menu of dishes using vegetables produced in Ibaraki Prefecture and dairy products was published for two weeks in the flyers of mass retailers. It was also widely distributed in stores to promote the food and health benefits of milk.



White Fish with Green Sauce

## ■ Support for Food Banks and Food Pantries

The Megmilk Snow Brand Group provided six kinds of milk, cheese, and other items (about 38,000 pieces weighing 28 tons) to Second Harvest Japan, a food bank. The milk, which did not need to be cooked, was especially appreciated. In addition, in the Fukuoka area, we provided 24 kinds of milk, yogurt, cheese, and other items (about 37,000 pieces weighing 11 tons) to various food bank organizations that are members of the Fukuoka Food Bank Conference. In support of the Saitama Food Pantry Network, a non-profit organization that distributes free food to families such as those with single parents raising children, the Megmilk Snow Brand Kawagoe Plant donated 10 kinds of yogurt, desserts, and other items (about 7,200 pieces weighing 0.7 tons) to an organization in Kawagoe City. The spread of COVID-19 has led to an ever-increasing demand for food banks and food pantries, and many people are happy to receive our nutrient-rich dairy products.



Making a delivery to a food bank



## The Megmilk Snow Brand SDGs Action Awards Category on Spreading Understanding, Grand Prize

▶ P. 56 The Megmilk Snow Brand  
SDGs Action Awards

The Public Relations & Investor Relations Department's "Megmilk Snow Brand Museum" invited support groups for people with hearing and visual disabilities to visit the museum. Through dialogue with people with disabilities, we have compiled materials and visitation methods that are easy to understand and enjoy during the visit. The concrete approach to the SDG philosophy of "leave no one behind" will serve as a model for the entire Group.



# Sustainability Promotion

## Sustainability Group Activities

The Megmilk Snow Brand Group has carried out sustainability Group Activities (formerly called CSR Group Activities) since fiscal 2003 as a means of deepening executives' and employees' understanding of sustainability and providing opportunities for exchange of ideas. The sustainability leaders appointed in each division play the central role in these activities. Fiscal 2021 marked the 19th year of these activities, which are held 10 times in each division. All employees participate, regardless of employment type.

The Megmilk Snow Brand sustainability Group activities, including the activities that 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, are designed to foster a compliance mindset and work toward achieving the SDGs and solving social issues. Participants think deeply about the theme and engage in a lively exchange of views. The sharing of ideas and experiences among employees helps to strengthen communication.

Other Group companies are also engaged in sustainability Group activities, focusing on compliance and tailored to each company's awareness of the issues it faces.



Megmilk Snow Brand



Snow Brand Seed Co., Ltd.

## The Megmilk Snow Brand SDGs Action Awards

The Megmilk Snow Brand Group has been holding the Megmilk Snow Brand Group SDGs Action Awards since fiscal 2020.

This award system recognizes activities to achieve the KPIs for material issues and encourages all Group employees to promote and expand SDG activities as an issue that personally matters to them.

In fiscal 2021, the second year of awards, a total of 156 entries were received from 15 Group companies and all divisions of Megmilk Snow Brand.

The activities were conducted with an even higher understanding of the essence of the SDGs than the previous fiscal year, including partnerships with external organizations and the implementation of the SDG philosophy of "leave no one behind."

Our President, Managing Sustainability Director, and the Sustainability Promotion Department selected activities that would serve as a model for the Group, and the 11 workplaces recognized for their outstanding activities were conferred awards online in May 2022.



Poster



Screenshot from the online awards ceremony, showing Megmilk Snow Brand President Masatoshi Sato