

Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) tasked report on Food & Beverage Industry and ESG¹

Following the Tokyo Nutrition for Growth in December 2021, the Ministry of Agriculture, Forestry and Fisheries of Japan compiled a report to serve as a guide of material ESG issues for the food and beverage sector. The report has been written by Mitsubishi UFJ Research & Consulting, with input from the Food industry and ESG Investment review committee.

The report is made up of the following sections and profiles ATNI as one of many organizations focusing on ESG issues central to the food industry:

1. Environmental & Social issues that the food industry companies need to be aware of
2. Status of global investors action on ESG issues, disclosure regulations, and ESG evaluation initiatives
3. Local and global company action examples
4. Challenges and suggested solutions to further progress action in the food industry

In the first section, the report introduces certain environmental and social issues that are relevant for the food and beverage sector both within Japan and globally. These include a) climate change, b) food loss and waste recycle, c) recycling and reduction of plastic usage, d) human rights, e) biodiversity, f) water conservation and deforestation, g) sustainable agriculture and fishery, h) animal welfare and the reduction of anti-biotics usage, and i) health & nutrition. The report highlights the importance of addressing a number of these issues within the supply chain as well as in the main business entity.

Section 2 and the additional supplementary document explain in detail how investors are collaborating to engage companies on these issues, as well as those organisations which are conducting research on these topics.

The report summarises the following investor collaborations;

- Climate Action 100+
- PRI: A Guide to investment engagement on plastic packaging: Fast moving consumer goods
- PRI: From farm to table: Ensuring Fair labour Practices in Agricultural Supply Chains

¹ This is a summary by the Access to Nutrition Initiative.

- PRI, WWF: Growing Water Risk Resilience: An Investor Guide on Agricultural Supply Chain
- PRI: Investor Expectations on Sustainable Palm Oil, Investor expectations on deforestation in soybean supply chain, Investor expectations on deforestation in cattle supply chains
- Business Benchmark on Farm Animal Welfare (BBFAW)
- Farm Animal Investment Risk and Return (FAIRR)
- Access to Nutrition Initiative (ATNI)

Whilst some may overlap, the report also covers those initiatives which conduct related company assessment, which include the following:

- World Benchmarking Alliance (WBA)
- Farm Animal Investment Risk and Return (FAIRR)
- CDP
- Global Canopy Forest 500
- WBA-Corporate Human Rights Benchmark
- KnowTheChain
- Access to Nutrition Initiative (ATNI)
- Business Benchmark on Farm Animal Welfare (BBFAW)

It also covers both local and international regulatory developments that are related to sustainable investment and the food industry. These include the enhancements to the Japanese Corporate Governance Code, the EU CSRD, EU taxonomy, TCFD, SASB, GRI, TNFD, ongoing developments with the IFRS Foundation and the ISSB, and updates to voting policies in individual Japanese investment firms.

Section 3 first gives a summary of ESG topic focused discussions and calls to action hosted by MAFF to date, including food waste recycling, sustainable procurement, reduction and recycling of plastic usage, and decarbonisation. This is followed by specific examples of both domestic and global companies which have addressed certain environmental or social issues that are related to the food and beverage industry. These examples are aligned with the issues identified in Section 1 and where applicable, relate to companies who are also recognised as leaders under the related investor initiatives.

In the final Section 4, the report identifies the obstacles and challenges to deliver better sustainable

practice in the food and beverage industry, and possible actions that can be taken by both companies and the government.

These obstacles and possible solutions are grouped by 1) overarching obstacles common to the food and beverage industry and 2) obstacles that are unique to each environmental/social issue.

Under the topic of "Health and nutrition", it is recognised that Japan should commit to contributing to the healthiness and nutritional aspects of our diets globally through its products, and to better understand the "healthiness" of its own products.

It is also suggested that companies develop a momentum towards improving health and nutrition through food, and to collaborate with governments and local authorities to address issues of nutrition and related diseases.

The report suggests the following as example actions the government may take to help address issues related to health and nutrition.

- Promotion of food labelling that helps the consumer to understand the consumed product in its totality, including the raw ingredients.
- Provision of information that ensures the background and reasoning of regulations in regards to food ingredient labelling are understood correctly
- Consideration of the scientific definitions of "health products" and the concept of nutrition profiling.
- Sharing best practices by Japanese companies to other markets, such as international cooperation efforts to improve the health & nutrition of citizens through food, and sharing knowledge that is embedded in the Japanese food culture & school catering experiences.

The report itself is a standalone publication, but it is hoped that the content will a) help the Japanese food industry to better understand the individual environmental and social issues and the interest in such issues by global investors, and b) to act as a starting point for further discussion and action by companies and governments alike to achieve a more holistically sustainable practice in the food and beverage industry.