

Sustainability Management

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Sustainability at the Prima Meat Packers Group

Basic approach

Our business activities are driven by our belief that by achieving sustainable business growth, we contribute toward a sustainable society. Critical to achieving sustainable growth is the ability to identify medium- and long-term risks and opportunities. In September 2020, we undertook a materiality analysis to identify material risks—the sustainability issues that matter the most to our organization and stakeholders. To help us build medium- and long-term value, we established the Sustainability Basic Policy in October 2021 and the Sustainability Committee in November 2021.

 Sustainability Basic Policy
<https://www.primaham.co.jp/en/sustainability/policy.html>


Organizational framework

The framework includes the Sustainability Committee, a voluntarily established body for advising the Board of Directors. The Sustainability Committee advises the Board of Directors on goal-setting and action plans for the material issues. It also monitors progress in addressing the material issues and updates the materiality matrix when necessary. Additionally, it routinely reports on matters that the board seeks advice on.

The Sustainability Committee is chaired by the president and CEO, and its membership consists of senior executives and other managers. The committee has six subcommittees.

Material issues

To achieve sustainable growth as a company, we must analyze the major risks and opportunities that will affect growth of the Group from the perspective of ESG. With this in mind, we developed a business strategy and specified the material issues. For these strategic priorities, the Sustainability Committee and Board of Directors sets metrics and targets along with action plans for achieving them. Action plans are developed and implemented through a PDCA cycle in which the Sustainability Committee monitors the progress of the actions.

 Process for specifying material issues
<https://www.primaham.co.jp/en/sustainability/process.html>

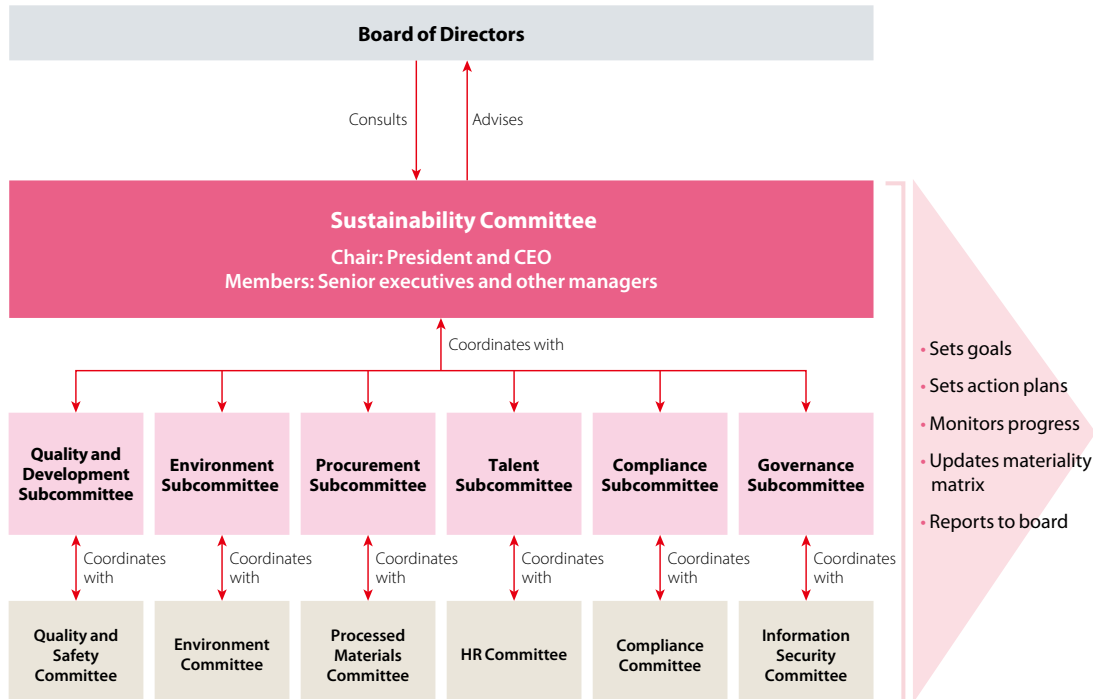
Sustainability milestones

- September 2020
Material issues identified
- October 2021
Sustainability Basic Policy set
- November 2021
Sustainability Committee established

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Key topics discussed at the Sustainability Committee






- November 2021
Roles of the committee and its subcommittees, action plans
- June 2022
Setting metrics and targets for material issues
- August 2022
Setting metrics and targets for material issues
- November 2022
Determining what information to disclose in line with TCFD Recommendations
- March 2023
Setting action plans
- June 2023
Reviewing results in fiscal 2022



- Sets goals
- Sets action plans
- Monitors progress
- Updates materiality matrix
- Reports to board

Category	Material issues
Creating healthy, well-rounded dietary habits 	Securing safe, reliable food
	Recommending health-conscious products
Contributing to global environmental protection 	Reducing greenhouse gas emissions
	Reducing the volume of waste output
Strengthening supply chain management 	Achieving sustainable procurement of raw materials
	Addressing animal welfare
Creating a workplace that promotes job satisfaction 	Respecting and promoting diverse workstyles
	Hiring and developing outstanding human resources
	Occupational health and safety that focuses on mental and physical health
Strengthening the management platform 	Strengthening corporate governance

Initiatives for the Material Issues

Category	Material issues	Metrics and targets
Creating healthy, well-rounded dietary habits 	Securing safe, reliable food	<ul style="list-style-type: none"> Food Safety Management System (FSMS) operating in all major plants and farms by end of fiscal 2030
	Recommending health-conscious products	<ul style="list-style-type: none"> Larger lineup of health-oriented foods
Contributing to global environmental protection 	Reducing greenhouse gas emissions	<ul style="list-style-type: none"> Fiscal 2030: GHG emissions from fossil fuel combustion in Japan (excludes emissions from overseas sources and from livestock) down 24.3% from fiscal 2021 level
	Reducing the volume of waste output	<ul style="list-style-type: none"> Fiscal 2030: Plastic and food waste per production unit down 5% from fiscal 2021 level At least 98% of food waste produced during production is recycled
Strengthening supply chain management 	Achieving sustainable procurement of raw materials	<ul style="list-style-type: none"> Procurement policy established for stable supply of raw materials All tier 1 suppliers performing first-person audits
	Addressing animal welfare	<ul style="list-style-type: none"> Directly managed pork farms compliant with feed management standards of the World Organization for Animal Health Animal welfare used as a criterion in supplier selection
Creating a workplace that promotes job satisfaction 	Respecting and promoting diverse workstyles	<ul style="list-style-type: none"> Fiscal 2030, Prima Meat Packers: 90% take up rate for paid leave and reduction in total no. of hours actually worked Fiscal 2030, Prima Meat Packers: 100% take-up rate for paternity leave (at least five days leave) among full-time male employees, women account for at least 40% of new full-time employees Fiscal 2030, all Group companies: 100% of employees receive training in human rights awareness, yearly process in place for human rights due diligence Fiscal 2030, Prima Meat Packers and its disability-friendly subsidiaries: Employees with disabilities account for at least 2.7% of total workforce
	Hiring and developing outstanding human resources	<ul style="list-style-type: none"> Fiscal 2030, Prima Meat Packers: Women occupy at least 10% of management posts
	Occupational health and safety that focuses on mental and physical health	<ul style="list-style-type: none"> A program is in place to promote mental and physical wellbeing of employees and their families
Strengthening the management platform 	Strengthening corporate governance	<ul style="list-style-type: none"> Business transactions are free, fair, and transparent A program is in place to permeate compliance mindset among employees Best practices followed in ESG reporting, improvement in ESG ratings Information disclosed in fiscal 2022 in accordance with TCFD recommendations

Key results in fiscal 2022
<ul style="list-style-type: none"> FSMS operating in 85% of major plants and farms
<ul style="list-style-type: none"> GHG emissions reduction down 0.54% (171,838 t-CO₂e) Plastic waste down 4.4% (29.6 kg/t) Food waste down 3.1% (55.8 kg/t) 92.5% of the food waste recycled
<ul style="list-style-type: none"> Procurement policy established (in September 2023)
<ul style="list-style-type: none"> 61% take-up rate for paid leave 5% take-up rate for paternity leave Women accounted for 32% of new full-time employees hired in fiscal 2023 Employees with disabilities accounted for 2.3% of workforce
<ul style="list-style-type: none"> Women occupying 3.4% of management posts
<ul style="list-style-type: none"> TCFD-compliant disclosures published on website in December 2022

Applying the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Endorsing the TCFD recommendations

Climate change is a serious global threat and one that drastically impacts business strategies and strategic planning across Prima Meat Packers Group.

In September 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).* We now structure our disclosures around the four thematic areas that the TCFD recommends: governance, strategy, risk management, and metrics and targets.

* Created by the Financial Stability Board upon the request of the G20, the TCFD provides information about how companies are addressing climate-related risks and opportunities.



TCFD disclosures

<https://www.primaham.co.jp/sustainability/assets/images/pdf/tcfdjouhoukaiji.pdf> (Japanese text only)



Governance

One of the advisory bodies to the Board of Directors is the Sustainability Committee [see p. 33](#). This committee is responsible for coordinating action on material issues, including those related to climate change. For each material issues, it sets a goal, creates an action plan, and monitors progress. It also updates the material issues as necessary. In fiscal 2022, the committee met four times.

To fight climate change, we must reduce greenhouse emissions across our corporate group. To that end, the Sustainability Committee and its Environment Subcommittee coordinate efforts to install solar panels and energy-efficient machinery, switch from ozone-harming fluorinated refrigerants to natural refrigerants, and allocate budgets for factories to phase out fluorinated refrigerants.

Strategy

The Sustainability Committee organizes action to fight climate change in the knowledge that such action is a strategic priority—action for addressing material issues is one of the basic policies set out in our medium-term business plan [see p. 14](#). We now disclose the climate-related risks and opportunities [see p. 36](#) that will potentially affect Prima Meat Packers Group. We will run simulations to understand the financial impacts of the future risks and take action as necessary.

In fiscal 2022, we ran a scenario analysis to estimate how climate change may affect raw material costs. We will continue running scenario analyses to understand the different financial impacts.

Risk management

The Sustainability Committee analyzes climate-related risks and opportunities and reports its findings to the Board of Directors. The Board of Directors reviews the findings, identifies areas of significant concern, and then makes decisions for planning and executing actions to address the environmental challenges. We define as an organization-wide risk any risk that could influence

the operations or performance of Prima Meat Packers Group. Once the policies and plans are set, the Sustainability Committee and its subcommittees organize specific actions to address the risks.

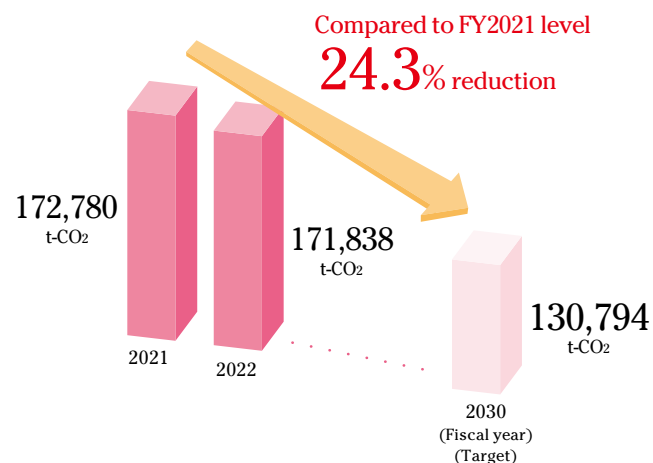
Metrics and targets

Reducing greenhouse gas emissions is one of our material issues. In fiscal 2022, the Board of Directors set a goal for fiscal 2030: reducing greenhouse gas emissions from fossil fuel combustion in Japan by 24.3% from the fiscal 2021 level.* By working toward this goal, we're fighting climate change.

* Excludes emissions from overseas sources and from livestock.

* The 24.3% reduction (compared to the fiscal 2021 level) was determined by annualizing the Japanese government's 2030 target of 46% reduction from the fiscal 2013 level.

Reduction target for GHG emissions (excluding emissions from overseas sources and from livestock)



Climate-related Risks and Opportunities

Risk categories			Climate-related risks	Potential financial impacts	Magnitude	Timing
Major category	Subcategory	Sub-subcategory				
Transition risks	Policy and legislation	Carbon pricing mechanisms (tax hikes)	<ul style="list-style-type: none"> Higher expenditures on energy-efficient technologies and renewable energy technology Higher tax burden if GHG emissions cut is too small Higher costs of raw materials and packaging Higher costs of feed and livestock medicines 	Expenditure	Medium	Short term
		Tighter mandates on GHG emissions and plastic waste	<ul style="list-style-type: none"> Higher manufacturing costs (for purchasing and recycling plastic packaging) following passage of Plastic Recycling Law Higher energy-related costs (costs of renewable shift) following revision to Law on Rational Use of Energy Requirement to upgrade manufacturing assets following tightening of energy legislation 	Expenditure	Low	Short term
	Technology	Technological innovations that support a carbon transition (transition to lower-carbon or zero-carbon economy)	<ul style="list-style-type: none"> More capital investments in technology due to rollout of energy-efficient technology Impairment of existing assets due to accelerated technological innovation Reduced time between technology upgrades 	Expenditure Assets	High	Medium term
	Market	Shifts in consumer behavior	<ul style="list-style-type: none"> If consumers perceive we are not doing enough to tackle climate change and plastic waste: <ul style="list-style-type: none"> Poorer brand perception Poorer ESG ratings and reduced capital availability Poorer perceptions among jobseekers and local residents Diminished employee loyalty Poorer sales due to increase in ethical consumerism in Japan 	Revenue	Low	Medium term
		Higher raw material costs	<ul style="list-style-type: none"> Higher animal feed prices Higher costs of packaging and additives 	Expenditure	High	Short term
Reputation	Negative perceptions of business sector	<ul style="list-style-type: none"> Poorer perceptions of meat industry Poorer brand perceptions due to plastic packaging 	Revenue Expenditure	Low	Long term	
Physical risks	Acute	Increased severity of extreme weather events (typhoons, torrential rain, blizzards, severe thunderstorms)	<ul style="list-style-type: none"> Damage to traffic infrastructure Stoppages following damage to production assets Transport difficulties due to supply chain disruption or damage to warehouse 	Expenditure Assets	Low	Short term
		Epidemics and pandemics	<ul style="list-style-type: none"> Stoppages due to infections in workforce Supply disruption due to outbreak of animal disease Shortage of raw materials for processed food products 	Revenue	High	Short term
	Chronic	Rising mean temperatures, changes in precipitation patterns, rising sea levels	<ul style="list-style-type: none"> Water ingress in assets in coastal areas Less revenue due to poorer animal feed harvests and adverse livestock conditions Areas that rely on groundwater for irrigation and industrial water use: inadequate water supply due to groundwater salinization Higher costs of managing employee health Harder to attract labor for outdoor jobs due to normalization of heat extremes Higher supply costs Adverse conditions for livestock and poultry, and poorer meat quality, due to increased seasonal heat stress 	Revenue Expenditure	Medium	Long term

Opportunity categories			Climate-related opportunities	Potential financial impacts	Magnitude	Timing
Major category	Subcategory	Sub-subcategory				
Opportunities	Resource efficiency	Use of more efficient modes of transport, use of more efficient production and distribution processes	<ul style="list-style-type: none"> Joint distribution, modal shift Better efficiency through segmenting processes and automating packaging Lower transportation costs with rise in domestic pork (to reduce food miles) Shift to low-carbon production methods 	Expenditure	Medium	Short term
		Use of recycling	<ul style="list-style-type: none"> Lower packaging supply costs with higher rates of packaging recycling 	Expenditure	Low	Medium term
		Reduced water usage and consumption	<ul style="list-style-type: none"> Lower utility costs with less water used in factories Higher volume of trade with farms that conserve water resources and use water efficiently (greener supply chain) 	Expenditure	Low	Short term
	Energy source	Use of renewable energy (shift from thermal power generation)	<ul style="list-style-type: none"> Lower energy costs with increased use of renewable energy Higher ESG ratings and increased capital availability (as more investors favor use of renewable energy) 	Expenditure	High	Medium term
	Products and services	Development and expansion of low-emission goods and services	<ul style="list-style-type: none"> Longer shelf lives due to better packaging Expansion of products packaged sustainably (minimal, recycled, or biomass packaging) More vegetables sourced from Japanese GAP-certified farms Higher demand for animal manure due to reduced use of petrochemical fertilizers Development of feed formulae that reduce animal methane emissions Higher demand for low-carbon beef (beef produced with less GHG emissions) Chance to reposition organization as purveyor of protein-rich foods in general (including plant and insect sources) 	Revenue	Medium	Medium term
Resilience	Resource substitutes/diversification (to mitigate procurement risk)	<ul style="list-style-type: none"> Increased reliability of supply chain (globally dispersed, more diverse) 	Revenue Expenditure	Low	Medium term	

Strengthening Human Capital

Develop human resources and boost job satisfaction to foster a mindset of innovation

Nowadays, companies are expected to place importance on non-financial capital. Human capital is increasingly important issue in Japan, whose labor pool is diminishing as the population shrinks and ages.

Relatively few of our employees are aged 30 to 45. This is because we scaled back recruitment during a sluggish period in the past. Of particular concern are two longstanding issues: the relative scarcity of women employees and the relative scarcity of employees of a management age.

Accordingly, we have committed to developing our human resources and boosting job satisfaction to foster a mindset of innovation. This goal forms part of one of the themes in our medium-term business plan (from fiscal 2023 to 2025): to implement ESG strategy and make business foundation more sustainable (one of the basic policies shown on [see p. 14](#)). Under the material category “creating a workplace that promotes job satisfaction,” we identified three material issues to address: the need to respect and

promote diverse workstyles, the need to hire and develop outstanding human resources, and the need for occupational health and safety that focuses on mental and physical health. For each issue, we have set metrics and targets. We are working on a range of measures set out in our action plans.

Taking steps to increase the percentage of management posts held by women

One of our metrics is percentage of management posts (in Prima Meat Packers) occupied by women. Our target for fiscal 2030 is at least 10%.

In fiscal 2022, the result was 3.4%. Although this result represents an improvement from the previous year, it remains far off the fiscal 2030 target. It will take time to raise the percentage because of a problem mentioned above: the relative scarcity of women employees of a management age. To get the percentage closer to the target, we will improve training for women employees, increase the hiring rate for women, and consider changes to our talent development system.

Pick Up

Rising to the challenge: Prima Meat Packers’ first female employee to take an overseas appointment



Sayaka Kasamaki

Seconded from Prima Meat Packers’ Production Division to: PRIMAHAM FOODS (THAILAND) CO., LTD.

I’m on a secondment at Thai subsidiary Primaham Foods (Thailand). My duties here include quality management and product development. My secondment surprised many, as I was the first female employee to take on an overseas appointment. Personally, I felt delighted with the appointment. Since my student days, I’d been interested in other cultures and had harbored a desire to work overseas.



Before my secondment began, I spent four months improving my English at a US college. Here in Thailand, I’ll devote my energies to improving quality and earnings!

Current state of Prima Meat Packers Group

- Low percentage of posts held by women
- Relatively low number of employees in management age group

