

[ Contents ]

- Approach to Disclosure of Information on Sustainability
- Editorial Policy
- About Us
- Corporate Mission
- Measures for and Effects of COVID-19 Sustainability at Morinaga Milk
- Seven Priority Issues
  - Health and Nutrition
  - The Environment
  - Human Rights
  - Supply Chains
  - Nurturing the Next Generation
  - Human Resource Development
  - **Corporate Governance**
- > **Corporate Governance**
  - Compliance
  - Information Security

- Policies, Philosophy and Principles
- Third Party Assurance
- The United Nations Global Compact Index
- GRI Content Index

# Corporate Governance

Information about corporate governance is disclosed in our Corporate Governance Report and Integrated Report.

- WEB** Corporate Governance Report  
▶ <https://www.morinagamilk.co.jp/english/ir/management/governance.html>
- WEB** Integrated Report  
▶ <https://www.morinagamilk.co.jp/english/ir/library/annual.html>

## Basic Approach

We will continue to work on establishing and augmenting a highly effective governance system to sustainable growth and improve corporate value.

## KPIs

Direction of Activities	KPIs	Progress Details for KPIs
Transparent, equitable, prompt, and bold decision-making based on diverse values in Board of Directors' meetings	Evaluation scores and comments in evaluation of the Board of Directors (diversity of the Board of Directors and substance of discussions)	The effectiveness of the Board of Directors was confirmed based on the results of the evaluation. The evaluation results were used to identify issues requiring improvement as the basis for further enhancement of the effectiveness of the Board of Directors. Proportion of independent external directors: 1/3 (six internal directors, three external, including one female external director).
Strengthen the management system	Augment regular committees (Personnel Remuneration Committee, Internal Control Committee, Sustainability Committee)	Personnel Remuneration Committee: Reports to the Board of Directors regarding consideration of results for the establishment of executive compensation rules, etc. (All members attended all seven of the committee meetings in FY 2020. Members are the President and Representative Director, the Executive Vice President and Representative Director, and the three External Directors. Since the External Directors represent the majority of the committee, they can take a majority vote.) Changes to remuneration structure for officers: Ratio of fixed to performance-based remuneration changed from 2:1 to 1:1, ROE added as an evaluation indicator for performance-based remuneration. Internal Control Committee: Formulates the Anti-corruption Policy for works to prevent corruption. Sustainability Committee: The sustainability subcommittee (focusing on TCFD) was newly established to accelerate the adoption of ESG-focused management.

[ Contents ]

- Approach to Disclosure of Information on Sustainability
- Editorial Policy
- About Us
- Corporate Mission
- Measures for and Effects of COVID-19 Sustainability at Morinaga Milk
- Seven Priority Issues
  - Health and Nutrition
  - The Environment
  - Human Rights
  - Supply Chains
  - Nurturing the Next Generation
  - Human Resource Development
  - **Corporate Governance**
    - Corporate Governance
    - > **Compliance**
    - Information Security

- Policies, Philosophy and Principles
- Third Party Assurance
- The United Nations Global Compact Index
- GRI Content Index

# Compliance

## Basic Approach

Pursuant to the Code of Conduct, directors and employees thoroughly perform their duties toward the realization of the corporate slogan under the premise that the corporate activities comply with the law, the Articles of Incorporation, company regulations, and social ethics.



▶ Please see the "Compliance Code of Conduct" section (p. 99) and "Anti-corruption Policy" section (p. 100) for details.

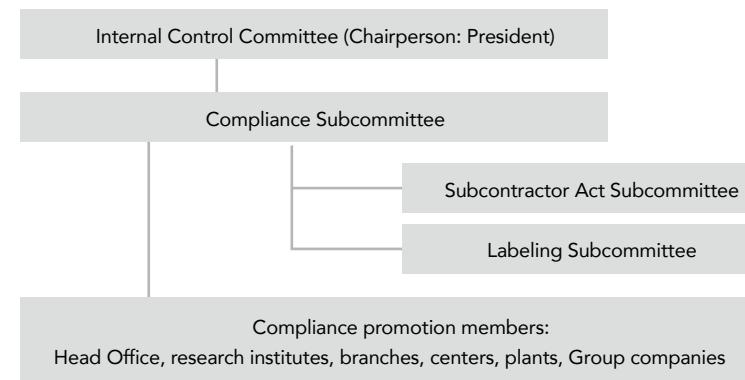
## System

The Morinaga Milk Group has established the Internal Control Committee chaired by the president, along with four subcommittees under its control: the Compliance Subcommittee, the Risk Management Subcommittee, the Financial Reporting Subcommittee, and the Information Security Subcommittee. This system is responsible for internal control of the entire Group and strives to develop the structure underpinning audits.

The promotion of compliance is carried out mainly by the Compliance Subcommittee, which also determines compliance action policy and directs and verifies activities.

Additionally, we confirm conformity to the Compliance Code of Conduct by conducting an annual compliance awareness survey, reviewing progress in terms of compliance using the survey as a reference.

## Compliance Promotion System



## Instilling Compliance Awareness

The Morinaga Milk Group provides rank-based training, organization-based training that includes Group companies, and e-learning in order to instill and consolidate awareness of compliance.

## Compliance Training

Apart from understanding compliance, compliance training covers a variety of topics including the corporate slogan, awareness and actions, etiquette and moral violations, the whistleblower reporting system, harassment, violations of transportation regulations, information leakages, overwork, response to anti-social forces, mental health, labeling issues, and violations of the subcontractor act, among others. From FY 2019, we also began including training regarding our Human Rights Policy and also conduct Human Rights Policy awareness activities within the company.

Targets: Business site-specific training, Group company-specific training: Relevant persons within an organization (all workers in the same organization, including employees, temporary employees, part-time workers, and employees of partner companies, etc.)

### Status of Compliance Training (Morinaga Milk Group)

	2016	2017	2018	2019	2020
Number of participants	3,985	4,984	5,151	4,777	7,801

[ Contents ]

Approach to Disclosure of  
Information on Sustainability

Editorial Policy

About Us

Corporate Mission

Measures for and Effects of COVID-19

Sustainability at Morinaga Milk

Seven Priority Issues

● Health and Nutrition

● The Environment

● Human Rights

● Supply Chains

● Nurturing the Next Generation

● Human Resource Development

● **Corporate Governance**

Corporate Governance

> **Compliance**

Information Security

Policies, Philosophy and Principles

Third Party Assurance

The United Nations Global Compact Index

GRI Content Index

## E-Learning

### Targets and Training Content

Morinaga Milk Group employees	Short e-learning compliance class
New leading players	Basic course on corporate ethics and compliance
New managers	Basic series on labor management
Directors and managers of Group companies	Basic course on corporate ethics and compliance, course on sexual harassment prevention, course on power harassment prevention, basic course on workplace mental healthcare for managers, basic approach to labor management, labor management and workplace building

### Implementation of E-Learning for All Group Employees (FY 2020)

	May	August	November	February
Number of participants	6,884	6,947	7,021	6,972
Completion rate (%)	97.3	97.5	97.1	96.8

### Compliance Consultation System: Morinaga Milk Helpline (Whistleblower Reporting System)

The Morinaga Milk Group established the Morinaga Milk Helpline as a contact point for employees to report compliance issues. The Morinaga Milk Helpline is located inside the company and outside the company with lawyers as the recipients of information.

The name of the person, their affiliation and nature of their consultation are protected in accordance with laws, regulations, and in-house rules, which makes it possible for any officer, employee or the like, persons who have left the Group, or the families, etc. of any such persons to report an issue without worry of reprisal. The Morinaga Milk Help Line Secretariat conducts the necessary investigations for consulted or reported cases, with due consideration given to the human rights and privacy of the consulting person as well as the related parties. When a situation is found to be inappropriate, the applicable department and persons involved are notified and instructed to make improvements, etc. Afterward, the applicable department and the person who originally consulted are asked to confirm improvements, and a report is made to the Compliance Subcommittee, the Internal Control System Committee, etc. so the matter can be used to improve compliance measures. For consultations or questions about the reporting person's duties, the matter will be directed to legal counsel as needed to obtain advice on how to deal with the issue.

For employees of overseas consolidated bases, since 2019 we have operated a reporting website that supports English and German submissions and responses. The cumulative number of reports is currently zero.

In addition, the Compliance Subcommittee receives quarterly reports on the status of the help line and makes necessary improvements to the internal structure.

### Consultations Received by the Morinaga Milk Helpline

	2016	2017	2018	2019	2020
Total number of consultations	53	46	44	41	47

[ Contents ]

- Approach to Disclosure of Information on Sustainability
- Editorial Policy
- About Us
- Corporate Mission
- Measures for and Effects of COVID-19
- Sustainability at Morinaga Milk
- Seven Priority Issues
  - Health and Nutrition
  - The Environment
  - Human Rights
  - Supply Chains
  - Nurturing the Next Generation
  - Human Resource Development
  - **Corporate Governance**
    - Corporate Governance
    - Compliance
    - > **Information Security**
- Policies, Philosophy and Principles
- Third Party Assurance
- The United Nations Global Compact Index
- GRI Content Index

# Information Security

## Basic Approach

The Morinaga Milk Group’s basic approach aims to improve performance by maintaining and managing the confidentiality, integrity, and availability of all its information assets and to make proactive use of such assets. This approach is made known to all officers and employees.

In addition, to respond to changes in the external environment and to make the information security management more reliable, the Group decides and reviews the relevant rules as appropriate.

## System

The Morinaga Milk Group has established the Internal Control Committee chaired by the president, along with the Information Security Subcommittee under it. The subcommittee meets once per month to identify issues concerning the Group’s information security as well as to plan and implement responses and spearhead audits. The Information Security Subcommittee also plans and implements reliable information security countermeasures.

For departments and Group companies, the head of each organization is responsible for information security.

We also established a Technical Information Subcommittee in 2019 to strengthen our management system for confidential information.

## Information Security Organization



## Information Security Countermeasures

### Occurrence of a Serious Information Security Incident

In April 2018, the servers of the Morinaga Milk Group’s e-commerce site were illegally accessed by an external party, and the leak of credit card information and other personal information of customers was confirmed. An investigation by a third-party organization was requested and countermeasures were implemented. The Morinaga Milk Group sincerely apologizes for the inconvenience caused to many customers.

**WEB** Apology concerning the leakage of customer information from the health foods e-commerce site and notification of investigation results  
 ▶ <https://www.morinagamilk.co.jp/release/newsentry-2899.html> (Japanese only)

[ Contents ]

---

 Approach to Disclosure of Information on Sustainability

Editorial Policy

About Us

Corporate Mission

Measures for and Effects of COVID-19

Sustainability at Morinaga Milk

Seven Priority Issues

● Health and Nutrition

● The Environment

● Human Rights

● Supply Chains

● Nurturing the Next Generation

● Human Resource Development

● **Corporate Governance**

Corporate Governance

Compliance

> **Information Security**

Policies, Philosophy and Principles

Third Party Assurance

The United Nations Global Compact Index

GRI Content Index

## Handling Incidents such as Information Leakages

When an incident such as an information leakage has been confirmed, prompt action will be taken in accordance with the handling standards for emergency problems.

When a situation has occurred, a countermeasures headquarters chaired by the president will be established to promptly disseminate information to all board members and related departments, and work to solve the emergency.

Also, if an investigation confirms violations of laws and regulations by subcontractors, employees, etc., the response will be sanction of dismissal, criminal charges, pursuit of civil liability, or the like.

## Initiatives for Information Security Countermeasures

Morinaga Milk gives priority to illegal access countermeasures when a serious incident occurs.

In addition to technical and physical measures, Morinaga Milk also takes ongoing system measures, such as reviewing security standards (rules) and further strengthening against vulnerabilities, etc.

Moreover, as a countermeasure against increasingly sophisticated cyberattacks, Morinaga Milk provides targeted e-mail attack training for all employees and implements virus countermeasures for information equipment.

### Training on Information Security Management

Morinaga Milk Group is working to strengthen the awareness of information security among all employees through targeted e-mail attack training, e-learning and compliance training. About 5,500 employees throughout the Group have completed such training through e-learning.