

Publication of the “2023 Annual Report on the Implementation of the Asahi Group’s BMS Marketing Policy”

The Asahi Group strives to achieve its aspiration of contributing to the healthy growth of infants and young children based on the understanding of the importance of the International Code of Marketing of Breast-milk Substitutes from the World Health Organization (hereinafter, “WHO”) (hereinafter, the “WHO Code”) and the Resolutions on Infant and Young Child Feeding adopted at the World Health Assembly (hereinafter, “WHA”).

We recognize that our activities on this issue is one way of putting the Asahi Group Philosophy (AGP) into practice through our business.

This report summarizes the implementation status of “Our Approach towards ‘Infant Formula’ Distribution” (presently, “The Asahi Group’s Policy and Procedures for the Marketing of Breast-Milk Substitutes”) (hereinafter, the “BMS Marketing Policy” <[link to the BMS Marketing Policy](#)>), which stipulates the Asahi Group’s marketing policy on Breast-Milk Substitutes (BMS). The report includes cases of noncompliance related to the Company’s BMS Marketing Policy that have been identified through internal and external processes, including voluntary inspections, internal audits, and external verification by third-party auditors, as well as measures to correct such noncompliance. The report is submitted to the Board of Directors (*), which is attended by the Asahi Group CEO and directors.

We believe that publication of this report, along with the revised BMS Marketing Policy, will increase the transparency of our activities and further demonstrate the Company’s responsibility concerning BMS Marketing.

* [About the governance structure of the Asahi Group Holdings](#)

August 2024

Drahomira Mandikova
Group Chief Sustainability Officer (Group CSO), Asahi Group Holdings

About This Report

Starting this year, the Asahi Group will publish an annual report on the status of compliance with the BMS Marketing Policy that the Company has established.

Based on the assessments of our BMS-related business activities by independent external auditors, in addition to our own monitoring and internal audits, we strive to continuously improve our efforts in the area of BMS marketing, and to report our progress in a transparent manner.

We will continue to monitor and review our own initiatives, and report on them.

For the first time, our 2023 activities were verified by an external third-party organization with appropriate auditor qualifications. The scope of the verification includes the activities of our headquarters and the higher-risk countries (*2) in which the Company sells our products.

From the verification by an audit organization independent of the Company, in addition to the audits that the Asahi Group's audit section has been conducting, we were able to gain valuable insights into whether or not our daily activities are functioning and what needs to be improved.

* Definition of a higher-risk country:

- The mortality rate of children less than 5 years of age is 10 or more per 1,000 children, or
- The acute malnutrition (moderate and severe debilitation) of children less than 5 years of age is 2% or more.

Major Initiatives and Results in 2023

1. Revision of the BMS Marketing Policy

In order to encourage breastfeeding, the Asahi Group declared in its “Our Approach towards Infant Formula Distribution” in 2017 that the Group will not advertise BMS products for infants under 12 months of age, even if it is allowed by local laws, in the higher-risk countries mentioned above, where the health of infants and young children is considered at risk. The Group was the first company with main business base in Japan to make such a declaration.

This year, reflecting the results of the 2023 review, the Asahi Group revised “Our Approach towards Infant Formula Distribution” to establish our responsible BMS marketing policy and procedures, and changed the name of the policy to “The Asahi Group’s Policy and Procedures for the Marketing of Breast-Milk Substitutes”. By doing so, we believe that we were able to indicate our approach to BMS marketing more concretely than before.

2. Positioning of the BMS Marketing Policy in Our Business

In the Asahi Group, all our employees, from researchers involved in the BMS business to employees engaged in marketing, sales, and distribution, as well as senior management, are responsible for upholding the standards for conducting responsible BMS marketing.

The Asahi Group recognizes that it is responsible for adhering to its BMS Marketing Policy and implementing the

Policy on a daily basis through its operations.

Also, the Asahi Group raises awareness within the Group about the importance of responsible BMS marketing, and contributes to the implementation of consistent, clear and transparent actions in accordance with the Asahi Group Code of Conduct.

We will continue to improve our practice through the process of internal monitoring, regular audits, and external verification, focusing on the importance of compliance with our BMS Marketing Policy.

3. Information sharing within the Group

(1) Information sharing and discussion with the Asahi Group management

The Asahi Group's BMS Marketing Policy applies to all BMS-related operations and is overseen by the Group CSO, who is a top management executive handling our group's sustainability activities. The content of this report is shared with the Asahi Group management at the Board of Directors' meetings.

(2) Requests to our employees

Employees associated with the Asahi Group's BMS business are made sure to comply with the Group's BMS Marketing Policy before they are assigned to BMS-related work. Relevant employees are trained on the importance of following the Company's BMS Marketing Policy.

As a result, our employees are committed to put the Company's BMS Marketing Policy into practice, and to implement our policies as a basic approach in our business through training to raise their awareness.

4. Our approach to cooperation with industry and government agencies

Asahi Group Foods, a company of the Asahi Group that conducts BMS business, is currently affiliated with the following organizations related to BMS. These organizations respect the WHO Code in the same manner as we do, and give consideration to marketing activities in line with domestic laws that support breastfeeding, while giving due consideration to the Antimonopoly Act.

Furthermore, as the Asahi Group already responded to the international "BMS Call to Action," the Group is committed to support the national legislation of the WHO Code, in accordance with requests for cooperation from governments.

The Asahi Group recognizes that the purpose of all lobbying on BMS is to support the public interest as well as to achieve the objectives of the Company.

(1) BMS-related business industry associations in which the Asahi Group participates

Currently, the Asahi Group participates in associations in Japan only.

- Japan Dairy Industry Association < <https://www.nyukyou.jp/> >

- Japan Baby Food Council < <https://www.baby-food.jp/> >

(2) Relationship with NGOs and other organizations

Although it is not classified as an BMS-related industry association, we have responded to the international “BMS Call to Action,” received from the Meridian Institute in 2020. In the response, we stated the following:

- Support for the national legislation of the WHO Code by governments
- Cooperation with the Access to Nutrition Initiative (ATNI) in its monitoring of our compliance with the BMS Code

Reference: [Link to our response to the “BMS Call to Action”](#)

5. Activities to improve the compliance with our BMS Marketing Policy

We have conducted voluntary inspections (monitoring) of our business activities that have taken place in 2023 for all countries in which we operate. Moreover, we verified the implementation of our BMS Marketing Policy by an external auditor per country, including two higher-risk countries. We also continue to carry out internal audits, which we have been conducting from before.

(1) Voluntary inspection (monitoring)

We conducted voluntary inspections for all countries where the Asahi Group conducts BMS business and all our sections engaged in the BMS business. The voluntary inspections checks the consistency and compliance of each section's operations with the Company's BMS Marketing Policy.

(2) Internal audits

Internal audits were conducted by the Asahi Group's auditing section, which is independent of the BMS business. In addition to the voluntary inspections described above, the internal audit provided suggestions to promote practice with respect for the WHO Code.

(3) External Verification

A third-party auditing organization NKKKQA, which is independent of the Asahi Group, verified the consistency of the BMS marketing activities of the Asahi Group Foods' headquarters and those of the Company conducted outside Japan, including in two higher-risk countries, with the Company's BMS Marketing Policy and local laws and regulations related to BMS. NKKKQA also verified the system for ensuring such consistency. The findings of this verification are available on the Asahi Group Holdings' website.

Reference: Report on the findings of external verification of the Company's BMS business

(Scope: The Company's BMS business in Cambodia and Taiwan, and the Asahi Group Foods Headquarters' BMS related operations)

Scope: The Asahi Group Foods Headquarters' BMS-related operations, and the Company's BMS business in Cambodia and Taiwan

< [Link to the external report](#) >

(4) Other Activities

The Company accepts whistleblowing and claims from external entities via multiple ways, and responds to all cases after confirming relevant facts. Claims are evaluated according to a predetermined process. When the claims are substantiated by facts or there is a suspicion of noncompliance, they are subject to corrective measures as in the case of voluntary inspections, internal audits, external verifications described above.

For claims concerning the Asahi Group, methods of claim submission other than the Company's normal reporting line will be integrated into the Group's "Speak Up" system from May 2024. Claims of noncompliance with the BMS Policy from inside or outside the Group will be evaluated and investigated with due consideration given to the protection of the person who submitted the claim.

Reference: About the Asahi Group's "Speak Up" system

[A website explaining about the "Speak Up" system](#)

In order to increase the transparency of the Company's BMS marketing activities, we will publicly disclose the [Attachment] describing the cases of suspected noncompliance with our BMS Marketing Policy that have been identified through our monitoring, internal audit, external verification, and other activities.

Through continuing to report on our progress, we plan to improve our BMS business initiatives and the policy upon which the initiatives are based.

6. Review by the person responsible for the BMS Marketing Policy

Since the publication of the "Our Approach towards 'Infant Formula' Distribution" in 2017, which provides the Asahi Group's responsible BMS marketing policy, the Group has positioned the policy as the foundation of the marketing activities conducted by our employees involved in the BMS business, and has promoted the implementation of the policy in the work of each section and employee.

In light of the results of the review of our 2023 activities, which are presented in the attachment of this report, we have made significant revisions to the original BMS Marketing Policy, aiming to improve its implementation and transparency.

The revised policy describes the procedures for implementing the policy in our actual operations. We believe that it will help demonstrate to our external stakeholders our responsibility to put the BMS Marketing Policy into practice. Also, the first external verification provided us with suggestions on issues other than noncompliance, that are related to our BMS business. We understand that there are issues and challenges that need to be addressed not only by employees involved in the Group's BMS business, but also in cooperation with external stakeholders who cooperate with us in sales. Taking the opportunity of the BMS Marketing Policy revision, we will continue to contribute to healthy growth of infants and young children through our business.

About this attachment

Period covered: Activities conducted during the period from January 1 to December 31, 2023

Matters Described:

The following matters related to the Asahi Group's BMS business activities:

1. Noncompliance with the Company's BMS Marketing Policy or relevant national regulations identified through voluntary inspections (monitoring), internal audit by the Group's audit section, and external verification by NKKKQA (an audit organization independent of the Company); and claims received from internal and external entities through the "Speak Up" (Clean Line reporting system) or other channels regarding noncompliance with the Company's BMS Marketing Policy that are found to be true as a result of the investigation.
2. Matters that are not BMS Marketing Policy noncompliance but require improvement, identified during the above activities.

Criteria referred to:

- "Our Approach towards 'Infant Formula' Distribution" (Asahi Group's BMS Marketing Policy)
This policy was revised in August 2024 and renamed "The Asahi Group's Policy and Procedures for the Marketing of BMS".
- Laws and regulations of countries where Asahi Group conducts BMS business, that are related to the WHO Code and WHA's Resolutions and are relevant to our BMS marketing and products.

Overview:

- Regarding the noncompliance pointed out in the above audits and other means and claims submitted, there were 15 cases that were found to be true or suspected to be true as a result of investigations. (There were 16 cases, but two of them were of the same issue pointed out by both internal audits and external verification, so the total was 15 cases.)
- For the 11 cases of noncompliance with the Company's BMS Marketing Policy, we have prepared plans to promptly correct the issue, and reported the

plans to the audit entity.

- The remaining four cases do not concern noncompliance with the Company's BMS Marketing Policy, but we have established a direction for improvement.
- Many of the 11 cases of noncompliance with the BMS Marketing Policy were caused by the fact that the Company's original BMS Marketing Policy did not clearly provide the governance and procedures for compliance. Based on this finding, we have decided to conduct a major revision of our BMS Marketing Policy.
- Of the 11 cases of noncompliance with the BMS Marketing Policy, nine cases (82%) concerned activities in Japan, including those of the headquarters, and two cases (18%) concerned activities overseas. Regarding the overseas activities, there was one instance of noncompliance in Mongol and one in Hong Kong.

1. List of matters related to the Asahi Group's BMS business that are found to be in noncompliance with BMS Marketing Policy

Method of identification of noncompliance and other issues

* M: Monitoring (voluntary inspection), IA: Internal Audit, Ex: External Verification by a third-party organization, SP: “Speak Up” (via the Clean Line system), Ot: Others (claims made via Customer Relations Office and sales, and claims from NGOs, etc.)

No.	Mega process	Major process	Details of the claim	Relevant BMS WHO Code	Country covered	Identification method*	Corrective actions	Time of corrective action completion
1	Governance	Policy management	Decision-making authority is not clear regarding the Asahi Group’s BMS Marketing Policy development and revision.	-	Japan (Headquarters)	M Ex	Clarify the position based on the Asahi Group's authority criteria before the next BMS Marketing Policy revision, and revise the policy accordingly.	August 2024 (upon revision of the BMS Marketing Policy)
2	Governance	Policy management	The title of the BMS Marketing Policy could be taken as “the sale of infant formula” and the content of the policy is not consistent with the title. There is a risk of objective misunderstanding or misinterpretation of the Company's ideas.	-	Japan (Headquarters)	IA	Revise the BMS Marketing Policy so that the title is consistent with the content and does not induce misunderstanding.	August 2024 (upon revision of the BMS Marketing Policy)
3	Governance	System for policy implementation	Although the policy mentions about the system for implementation of the BMS Marketing Policy, some of the implementation process and governance do not match the actual situation or are not functioning properly.	-	Japan (Headquarters)	IA	Revise the BMS Marketing Policy and make the description consistent with the latest organization and governance structure.	August 2024 (upon revision of the BMS Marketing Policy)
4	Governance	System for policy implementation	In the BMS Marketing Policy, the Action Guidelines for Japan stipulates that “There will be no excessive marketing through hospitals and maternity hospitals” but does not provide specific procedures, etc.	-	Japan (Headquarters)	IA	<ul style="list-style-type: none"> Establish a system to report to the newly established BMS Conference with an annual report compiling the issues identified through monitoring, audit, and claims from inside and outside of the Company, and corrective actions. The new BMS Marketing Policy will also define the procedures for policy compliance. 	August 2024 (upon revision of the BMS Marketing Policy)

No.	Mega process	Major process	Details of the claim	Relevant BMS WHO Code	Country	Identification method*	Corrective actions	Time of corrective action completion
5	Governance	System for policy implementation	The draft requests for decision for sales measures do not provide sufficient information for checking whether or not specific actions are in conflict with the WHO Code.	-	Japan (Headquarters)	IA	In the requests for decision for the products covered by the Policy, etc., (i) drafter is to avoid using misleading wordings in preparing the request, (ii) approver is to check the draft against the BMS Marketing Policy and provide guidance, and (iii) when necessary, the rationale for not violating the BMS Marketing Policy is to be described.	By the end of 2024
6	Governance	System for policy implementation	There is no report on the evaluation of overseas sales regarding the compliance with the BMS Marketing Policy.	-	Japan (Headquarters)	Ex	Establish a formal reporting format and prepare a report accordingly.	August 2024 (upon revision of the BMS Marketing Policy)
7	Compliance	Education	There is no clear system for education on compliance with the BMS Marketing Policy in Japan.	-	Japan	M	Revise the BMS Marketing Policy and establish procedures for education.	August 2024 (upon revision of the BMS Marketing Policy)
8	Compliance	Contract	Means to ensure that distributors in higher-risk countries understand the BMS Marketing Policy are not sufficiently established.	-	Hong Kong	M	<ul style="list-style-type: none"> Explain the BMS Marketing Policy to local distributors and make the policy widely known. Conduct regular voluntary inspections and audits. 	By the end of 2024
9	Governance	Voluntary audit	Since specific vouchers used for verification during the voluntary audit are not indicated, the voluntary audit is not effective enough.	-	Japan (Headquarters)	IA	Revise the BMS Marketing Policy and conduct voluntary audit accordingly.	August 2025
10	Compliance	Internal audit	The BMS Marketing Policy does not reflect the changes in the section conducting audits caused by the changes in group governance in 2022.	-	Japan (Headquarters)	M	Revise the BMS Marketing Policy and make the description consistent with the latest organizational structure.	August 2024 (upon revision of the BMS Marketing Policy)
11	Governance	Label	There is a suspicion of violations of our BMS Marketing Policy over the image of a baby bottle on the packaging of powdered beverage for hydration of infants and young children in Mongol. (It is described "suspicion" because it was unclear at the time of the internal audit whether or not the powdered beverages for hydration of infants and young children are considered BMS in the Company.)	Article 9	Mongol	IA	Clarify the scope of policy application and the definition of BMS in the new BMS marketing policy with reference to the WHO Code and other companies' policies. * The scope of the new policy includes "delivery products (i.e. teats and bottles), and information on the use thereof;" therefore, the baby bottles for the product in question are subject to improvement.	Establish the policy and schedule by the end of 2024

2. List of matters related to the Asahi Group's BMS business that are not found to be in noncompliance with the BMS Marketing Policy but require improvement

All were pointed out at the time of external verification by a third-party organization.

No.	Mega process	Major process	Details of the claim	Country	Direction of improvement
1	Governance	System for policy implementation	Where the responsibility for compliance with the BMS Marketing Policy rests per country is not clearly stated in internal documents.	Cambodia, Taiwan	Designate a person responsible per country, and post and disseminate the information within the company.
2	Compliance	Education	Implementation of the BMS Marketing Policy was confirmed through interviews and documents, but records of participation have not been created.	Japan (Headquarters)	Create records of participants after the time of education in 2024.
3	Compliance	Label	There is only few labeling in local languages on BMS products for children with milk allergies that are sold overseas.	Cambodia	Each product, including its labeling, has gone through administrative confirmation and there are no problems in light of relevant laws. However, we will consider improving the method of providing information to consumers.
4	Compliance	Label	The actual label on a baby food product, which is not covered by the BMS Marketing Policy, was different from the instructions given by the headquarters.	Taiwan	The product in question has already been discontinued and is no longer in local distribution inventory. We will improve the management system of local distributors with regard to the final content of the labeling.