

Factors Expected to Impact Business Activities

Based on its analysis of the external environment, SBF has identified the following as the main factors that are likely to have positive or negative impacts on its business activities.

FACTOR 1	FACTOR 2	FACTOR 3
<h3>Global Environmental Changes</h3> <ul style="list-style-type: none"> Climate change and abnormal weather Water resource shortages Plastic waste <p>We consider environmental change on a global scale a long-term concern because of the effect it has on the sustainability of water resources and other blessing of nature, on which our business activities depend.</p> <p>The increasing frequency of abnormal weather events that are triggered by climate change and the problem caused by plastic waste have rapidly become issues in recent years. These have direct or indirect impacts on our business model.</p>	<h3>Social Infrastructure Changes</h3> <ul style="list-style-type: none"> Tighter regulations Supply chain restructuring Technological innovation <p>Medium- to long-term concerns linked to changes in the social environment for the beverage industry include restrictions imposed on sugary drinks in various countries and rising raw material and supply chain costs, especially in developed countries. At the same time, a shift in consumer preferences toward sugar-free or low-sugar drinks is creating new business opportunities, while technological innovations in various fields, such as AI and ICT, can be seen as opportunities to create new business models, improve the stability of manufacturing and supply-demand management, and improve productivity.</p>	<h3>Lifestyle Changes</h3> <ul style="list-style-type: none"> Declining birthrate and aging population Increasing emphasis on health Diversification of locations for drinking and shopping <p>Declining birthrate and aging population are starting to cause structural changes in the beverage industry. In developed countries in particular, average life expectancies have risen to a level that some are calling this the era of the "100-Year Life." Increasing life spans have been accompanied by a growing focus on health. We believe there will be expanding opportunities for SBF to use its knowledge and technology to develop related products, such as low-sugar and sugar-free beverages, FOSHU beverages, and functional beverages. In addition, more diverse lifestyles and the accompanying changes to when and where consumers buy and drink our products are expected to create opportunities to offer new value.</p>

Clarification of Materiality

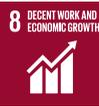
Suntory Beverage & Food (SBF) has further clarified priority areas for future sustainability activities by analyzing its materiality from the perspective of the Sustainable Development Goals (SDGs)*.

We used global trends relating to the SDGs as the basis for an analysis of issues in terms of their importance to our shareholders and other SBF Group stakeholders, and also from the viewpoint of opportunities and risks in the context of our medium- to long-term management strategies. After assessment and verification by third-party organizations, we selected five of the 17 SDGs as goals or highly significant initiatives. They are Goal 6 (Clean Water and Sanitation), Goal 3 (Good Health and Well-being), Goal 8 (Decent Work and Economic Growth), Goal 12 (Responsible Consumption and Production), and Goal 13 (Climate Action). We will continue to expand our activities in these areas.

As a company that has pledged to dedicate itself to the *Mizu To Ikiru* "Promise," our most important priority is the conservation of water, which is essential to society as well as our business operations. The entire SBF Group will continue to focus on water-related initiatives.

SBF Group Activity Policies for Priority Issues

We will consider our approach to materiality across our entire value chain, with reference to the total of 169 targets defined by the SDGs, focusing particularly on water. We will expand our activities in the following areas.

Priority issue	Keywords of the initiative	Activities to strengthen	
	<ul style="list-style-type: none"> Improve effective and sustainable use of water, address water shortages Reduce pollution, reduce untreated waste water, improve water quality Protect and recover ecosystems that are related to water in forests, etc. 	<ul style="list-style-type: none"> 3Rs of water focusing on manufacturing sites Collaboration with local communities in water resource conservation 	p48 p49
	<ul style="list-style-type: none"> Strengthen natural & healthy product portfolio conforming to consumer needs Strengthen early warning and mitigation of health harming factors 	<ul style="list-style-type: none"> Expansion of natural & healthy portfolio 	p52
	<ul style="list-style-type: none"> Economic growth through employee diversification and technological innovation Human resource development across multiple regions Productivity improvement through flexible work styles 	<ul style="list-style-type: none"> Career development Acceleration of diversity management 	p53
	<ul style="list-style-type: none"> Sustainable management and promotion of efficient use of various resources Offering information and raising awareness of sustainable development and lifestyle that is in harmony with nature Reduce food product loss 	<ul style="list-style-type: none"> Development of plastic bottles based on 2R+B strategy CSR procurement Reduction of waste and promotion of reuse 	p51
	<ul style="list-style-type: none"> Strategy planning for climate change measures Education and raising awareness of climate change 	<ul style="list-style-type: none"> Reduction of CO₂ emissions in the value chain 	p50

Analysis Matrix of Priority Issues



* Sustainable Development Goals (SDGs) are targets that should be reached globally by 2030 that were adopted at the UN Sustainable Development Summit held in September 2015

SBF's Main Priority

	SBF identified five priority issues and, from them, Goal 6 (Clean Water and Sanitation) as the most important issue.	The Suntory Group Sustainable Water Philosophy Formulated in January 2017
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