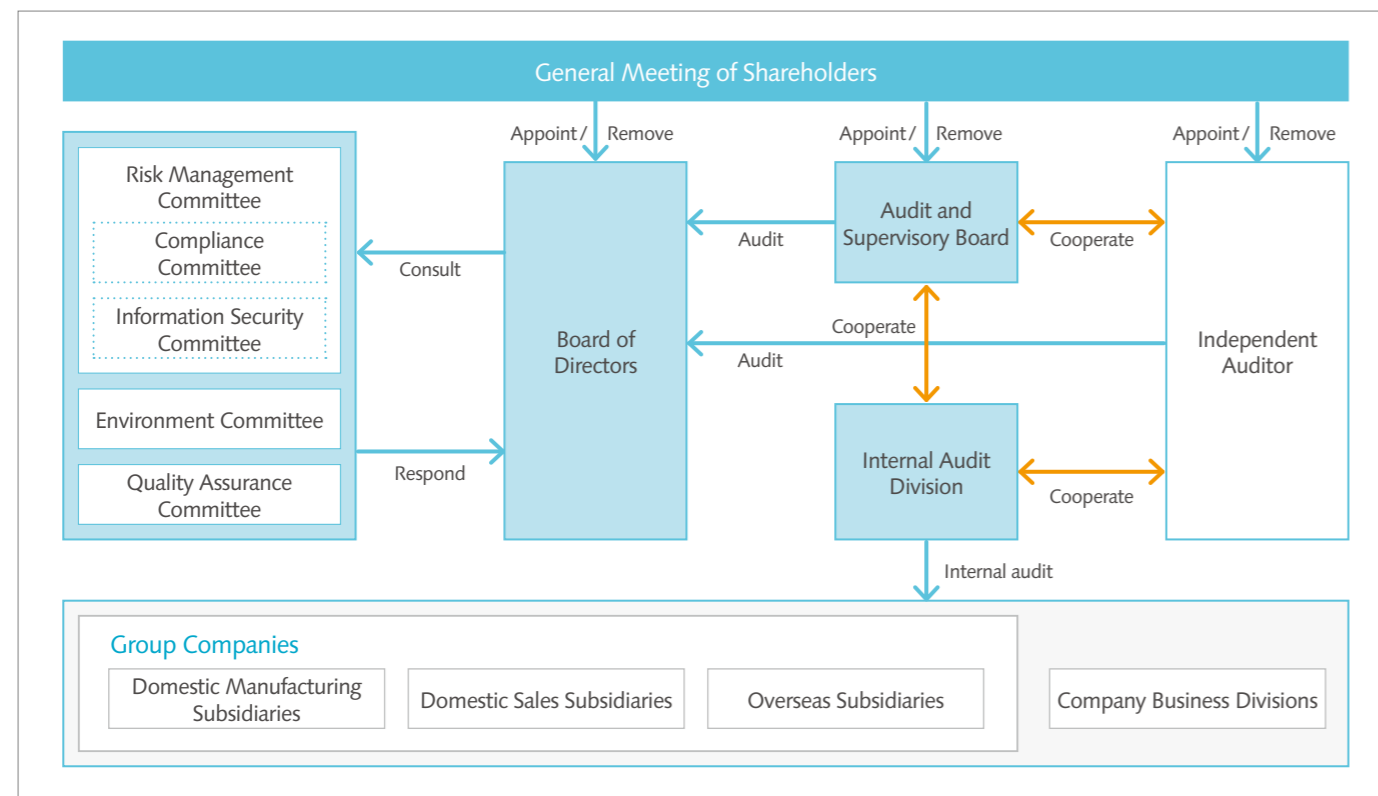


# Corporate Governance

## Basic Policy on Corporate Governance

SBF and the Group strive to enhance corporate governance in order to increase the efficiency of management, maintain good relationships with shareholders and other investors, customers, communities, suppliers and other stakeholder groups, and fulfill its corporate social responsibilities. Through the products we offer, we aim to be a group of companies that consistently offers new value to customers around the world.

## Outline of Corporate Governance Framework



SBF's corporate governance framework comprises a board of directors, Audit and Supervisory Board members and an Independent Auditor. SBF had nine directors as of the publication date of this report. The term of office for directors is set at one year to create an appropriate management system that is capable of responding flexibly to changes in the operating environment. SBF has an Audit and Supervisory Board and there were four Audit and Supervisory Board members as of the date of publication of this report.

## Board of Directors

The board of directors holds regular meetings once a month and extraordinary meetings as necessary. The board makes decisions on important business execution and statutory matters. It also receives reports regarding business execution at Group companies, which it uses to conduct oversight.

SBF has set up consultative bodies to the board of directors, namely the Risk Management Committee, Environment Committee and the Quality Assurance Committee. The Risk Management Committee has two sub-committees: the Compliance Committee and the Information Security Committee. The Risk Management Committee is responsible for promoting risk management activities for the Group as a whole. It gathers information and conducts various awareness-raising activities, along with conducting fact-finding missions and taking corrective actions when risks materialize. The Environment Committee is responsible for promoting environmental management for the Group as a whole. It develops and implements strategies and medium- and long-term plans to promote business activities that give consideration to sustainability. The Quality Assurance Committee promotes quality assurance activities for the Group as a whole. It formulates the Group's policies and plans for quality assurance activities, identifies quality risks and issues and works to prevent the materialization or recurrence of risk events, among other activities.

The Audit and Supervisory Board members attend meetings of the board of directors and other important meetings in order to audit the execution of duties by directors, the status of development of the internal control system and business execution matters related to all areas of Group management.

SBF believes that it is able to maintain highly transparent corporate governance through a two-fold checking system comprising oversight of business execution by the board of directors and audits by the Audit and Supervisory Board members. Accordingly, SBF has adopted the corporate governance framework described above.

## Internal Control System

SBF has formulated the following basic policy as the basis for the development of its internal control system.

### (1) System to ensure the conformity of performance of directors' and employees' duties to laws, regulations, and the articles of incorporation

"The corporate philosophy, 'In Harmony with People and Nature,' is the universal wish. Compliance shall be treated as a matter of the highest priority. The business activities shall be developed based on social ethics." This code shall be the standard of business conduct for the directors and employees. The directors shall take the initiative in complying with laws, regulations, the articles of incorporation, and business ethics, and actively make efforts to maintain and improve management based on compliance.

SBF shall establish and promote a Group-wide compliance system that includes Group companies via the Compliance Committee and departments charged with compliance-related matters, and discussed matters and activities shall be reported to the board of directors and the Audit and Supervisory Board. Compliance hotlines are established within and outside SBF, and SBF has an established system in which employees, etc. may directly report problems of compliance.

The Internal Audit Division shall implement an internal audit of the state of compliance among employees, etc., and the suitability of compliance operations.

The directors shall establish and promote a system in order to block any association with anti-social forces and clearly reject improper demands from them.

### (2) System for the preservation and management of information concerning the performance of directors' duties

The directors shall preserve and manage information such as material documents, etc., in accordance with laws, regulations, and internal rules, and maintain the availability of such information for inspection by the directors and the Audit and Supervisory Board members, as necessary.

SBF shall establish and promote an information security governance system via the Information Security Committee that not only protects and preserves information but also boosts corporate value through the utilization of information.

### **(3) Rules and other systems for management of risk of loss**

Each director shall be responsible for taking measures against risks in performance of businesses. Material risks shall be analyzed and evaluated, and improvement plans shall be discussed and determined by the board of directors.

As for material risks, quality risks pertaining to the Group as a whole, and risks incidental to the execution of business throughout the Group shall be managed comprehensively and collectively by the Risk Management Committee and Quality Assurance Committee, both of which are entrusted by the board of directors. Measures against newly arising material risks shall be determined by the board of directors.

### **(4) System to ensure the efficient performance of directors' duties**

Company-wide goals shall be established and the directors in charge shall determine efficient methods for achieving the goals. The directors in charge shall confirm the progress of the achievement of goals and report the measures to achieve the goals at the meetings of the board of directors.

Each director shall be in charge of his/her duties appropriately and attempt efficient decision-making under internal rules.

### **(5) System to ensure the appropriateness of business of the group consisting of SBF, its parent company, and its subsidiaries**

The directors and Audit and Supervisory Board members shall be seconded to Group companies as necessary to implement the appropriate execution of business and decision making and to supervise and audit them.

The internal rules require that certain matters be discussed with and reported to relevant departments at SBF or approved by the board of directors.

In addition to ensuring objectivity and rationality in transactions between SBF and Group companies, including the parent company, SBF shall ensure the company's independence from the parent company in transactions with the parent company.

An internal control system shall be arranged by and established within the Group to ensure the appropriateness of financial reporting.

### **(6) Matters regarding employees who are requested by the Audit and Supervisory Board members to be assigned to assist the Audit and Supervisory Board members' duties and matters regarding the independence of such employees from the directors**

An employee shall, upon consultation, be assigned to assist the Audit and Supervisory Board member's duties, if required by the Audit and Supervisory Board members. Efforts shall be made to ensure the independence of such employee from the directors.

### **(7) System for directors and employees to report to the Audit and Supervisory Board members and system for other reports to the Audit and Supervisory Board members**

The Audit and Supervisory Board members shall attend the meetings of the board of directors and the representative director and business executing directors shall report on their execution of business.

If the Audit and Supervisory Board members request a report on a business or conduct an investigation of a business or property, the directors and employees, etc., shall respond to the request or investigation promptly and accurately.

### **(8) System for Enabling the Audit and Supervisory Board members to efficiently conduct other audits**

The Audit and Supervisory Board members shall strive to facilitate communication and information exchange between themselves and the Audit & Supervisory Board members of SBF's subsidiaries or equivalent persons, and the Internal Audit Division.

The Audit and Supervisory Board members shall provide opportunities for the exchange of opinions with the representative director and president and the Independent Auditor.

## **Outside Director and Outside Audit and Supervisory Board Members**

### **(1) Selection of outside director and outside Audit and Supervisory Board members**

The outside director shall express their opinions based on their experience and insight as corporate managers, and thereby aid in appropriate decision making and oversight of business execution by the board of directors.

The outside Audit and Supervisory Board members shall express their opinions at meetings of the board of directors and Audit and Supervisory Board from their expert viewpoints as researchers, lawyers and so forth, and thereby aid in enhancing the auditing function.

As of the issue date of this report, SBF had one outside director and two outside Audit and Supervisory Board members.

Outside Director Hitoshi Kashiwaki possesses abundant experience, knowledge and insight as a corporate manager, and provides constructive advice and appropriate oversight from an objective and neutral standpoint during deliberation of agenda items at meetings of the board of directors and in other settings. Accordingly, SBF believes that he is properly qualified for the post of outside director.

Outside Audit and Supervisory Board Member Yukihiko Uehara possesses extensive knowledge and deep insight as a researcher in the fields of marketing and management strategy, and conducts audits of the execution of duties by directors from an objective and neutral standpoint as an outside Audit and Supervisory Board member. Accordingly, SBF believes that he is properly qualified for the post of outside Audit and Supervisory Board member.

Outside Audit and Supervisory Board Member Harumichi Uchida possesses abundant experience, extensive knowledge, and deep insight as a lawyer who is well versed in the field of corporate law, and conducts audits of the execution of duties by directors from an objective and neutral standpoint as an outside Audit and Supervisory Board member. Accordingly, SBF believes he is properly qualified for the post of outside Audit and Supervisory Board member.

### **(2) Related-party interests between SBF and outside director and outside Audit and Supervisory Board members**

Outside Director Hitoshi Kashiwaki serves as a board director of Recruit Holdings Co., Ltd. and representative commissioner of The Ezo Memorial Foundation. There are no special related-party interests between SBF and these entities.

Outside Audit and Supervisory Board Member Yukihiko Uehara is a professor at Meiji University Professional Graduate School, and serves as Chairman of The Distribution Economics Institute of Japan and an outside director of INTAGE HOLDINGS Inc. There are no special related-party interests between SBF and these entities.

Outside Audit and Supervisory Board Member Harumichi Uchida is an attorney with Mori Hamada & Matsumoto and serves as outside Audit and Supervisory Board member of Daifuku Co., Ltd. and an outside Audit and Supervisory Board member of Dainippon Sumitomo Pharma Co., Ltd. There are no special related-party interests between SBF and these entities.

### **(3) Selection standards for outside director and outside Audit and Supervisory Board members**

SBF has not established its own standards relating to independence for selecting the outside director and outside Audit and Supervisory Board members. However, SBF selects the outside director and outside Audit and Supervisory Board members by referring to the decision-making standards related to the independence of independent officers stipulated by the Tokyo Stock Exchange. SBF also takes into account business and other relationships with the companies and groups where the outside director and outside Audit and Supervisory Board members serve in an executive capacity.

SBF has notified the Tokyo Stock Exchange of the appointment of Outside Director Hitoshi Kashiwaki and Outside Audit and Supervisory Board Member Yukihiko Uehara as independent officers, as stipulated by the Tokyo Stock Exchange.

#### (4) Liability limitation agreements

SBF has entered into liability limitation agreements with each outside director and outside Audit and Supervisory Board member in accordance with paragraph 1 of Article 427 of the Companies Act. Under these agreements, the maximum amount of the liability to SBF of each outside director and outside Audit and Supervisory Board member arising in connection with a failure to execute their duties while acting in good faith and without gross negligence shall be limited to the amount prescribed in paragraph 1 of Article 425 of the Companies Act.

### Guidelines on Measures to Protect Minority Shareholders When Conducting Transactions and Other Business with the Controlling Shareholders

The Group has decided to make decisions on transactions with its controlling shareholders, including the transaction conditions, the appropriateness of the related decision-making process and other details, only after conducting exhaustive discussions at a board of directors meeting where the outside director and outside Audit and Supervisory Board members are also in attendance. This is to protect the interests of minority shareholders. SBF intends to expand its business based on its own decision-making process, independently of the controlling shareholders.

SBF will build a system that presents no problems with respect to the protection of minority shareholders, without conducting any transactions, investments and business expansion initiatives that would be particularly advantageous to the controlling shareholder under the controlling shareholder's influence.

### Compensation of Directors and Audit and Supervisory Board Members

SBF's annual compensation limits for directors were set at an extraordinary meeting of shareholders held on December 26, 2012. For directors the limit is ¥1,000 million (not including employee salary for directors serving concurrently as employees) and for Audit and Supervisory Board members the limit is ¥150 million.

Compensation for each director is determined at the discretion of the directors, and compensation for each Audit and Supervisory Board member is determined at the discretion of the Audit and Supervisory Board members. Details of the compensation amounts are as follows:

#### (1) Total amount of compensation, total amount by type of compensation, and number of recipients by executive officer category

Director and Audit and Supervisory Board member category	Millions of yen			Numbers of eligible directors and Audit and Supervisory Board members
	Total compensation and other remuneration	Basic compensation	Bonuses	
Directors (excluding the outside director)	459	274	185	10
Outside director	12	12	—	1
Audit and Supervisory Board members (excluding outside Audit and Supervisory Board members)	39	26	12	2
Outside Audit and Supervisory Board members	24	24	—	2

Note: Not including employee salary.

#### (2) Total compensation amounts for persons receiving total compensation of ¥100 million or more

Name	Director and Audit and Supervisory Board member category	Millions of yen		
		Basic compensation	Bonuses	Total compensation amount
Nobuhiro Torii	Director	66	39	105

#### (3) Policy on determining the amount of compensation for executive officers

Directors' compensation is determined using a system designed to provide an appropriate level of compensation for each director's role and responsibilities while motivating the directors to improve SBF's performance and corporate value and enabling SBF to secure high-quality human resources.

Directors' compensation comprises a basic salary (monthly, fixed amount) and bonuses (annual, performance linked). The levels of these are set according to each director's position, responsibilities, and internal or external status, making reference to survey data from specialist external institutions. The amounts for bonuses are primarily determined by an index based on SBF's consolidated operating income.

Audit and Supervisory Board members' compensation is determined using a system designed to ensure an appropriate level of compensation for each Audit and Supervisory Board member's role and responsibilities while enabling SBF to secure high-quality human resources.

In principle, Audit and Supervisory Board members' compensation comprises only a basic salary (monthly, fixed amount). Senior Audit and Supervisory Board members' compensation includes a bonus (annual, performance linked) in addition to the basic salary in consideration of their contribution to SBF's performance. The levels of these are set according to each member's position and responsibility, and internal or external status, making reference to survey data from specialist external institutions. The amounts for bonuses are primarily determined by an index based on SBF's consolidated operating income. SBF does not have a retirement bonus system or a stock option system.

### Compensation of the Independent Auditor

#### Details of compensation for certified public accountants and other staff of the independent auditor

Category	Millions of yen			
	Fiscal year ended December 31, 2012		Fiscal year ended December 31, 2013	
	Compensation for audit certification activities	Compensation for non-audit activities	Compensation for audit certification activities	Compensation for non-audit activities
Suntory Beverage & Food Limited	38	0	50	74
Consolidated subsidiaries	18	0	18	—
Total	56	1	68	74

### Investor Relations Activities

SBF has established the investor relations group in the Corporate Communication Division, under the supervision of the executive officer in charge of corporate communications. SBF holds presentations for analysts and institutional investors given by the president or the chief financial officer on the dates for announcing its quarterly financial results. SBF also holds several meetings each year for overseas institutional investors in Europe, the U.S. and Asia. Disclosure information, other important information and supplementary information from financial results presentations are promptly posted on SBF's website, with disclosure materials in English also posted on the English version of the website.