

# Corporate Governance

## Basic Policy on Corporate Governance

Suntory Beverage & Food ("SBF") and its subsidiaries (collectively, "the Group") have adopted our vision for value as "a quest for the best tastes & quality to bring happiness & wellness into everyday life," and our vision for the Company as "to be the leading global soft drink company recognized for our premium and unique

brands." Guided by our vision, the Group will strive to enhance corporate governance in order to maintain good relationships with shareholders and other investors, customers, communities, suppliers, employees, and other stakeholder groups, and fulfill its corporate social responsibilities.

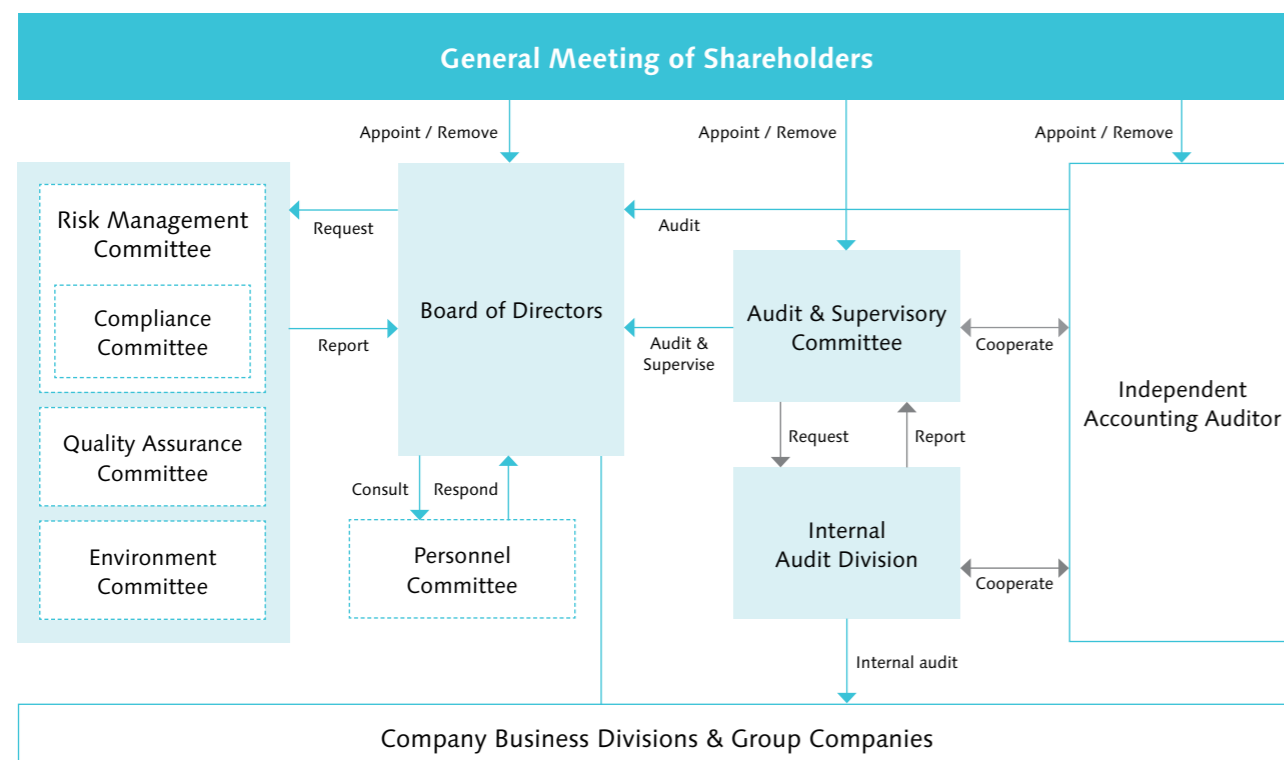
### Basic Policy on Corporate Governance:

<http://www.suntory.com/softdrink/ir/management/governance.html>

## Overview of Corporate Governance Framework

For its corporate governance framework, SBF has shifted to a Company with an Audit & Supervisory Committee system and has put in place the requisite structures, the Board of Directors, the Audit & Supervisory Committee, and Independent Accounting Auditor. The purpose of this framework is to further enhance SBF's corporate governance through various means. These include improving the effectiveness of audits and supervision by having a Director who is also an Audit & Supervisory Committee

member with voting rights on the Board of Directors (hereinafter referred to as an "Audit & Supervisory Committee member") conduct audits, further strengthening the supervisory functions of the Board of Directors by increasing the percentage of Outside Directors and realizing prompt decision making by the Board of Directors, by entrusting Directors with the responsibility for making all or certain important decisions regarding business execution.



## Board of Directors

### (1) Directors and the Board of Directors

The number of Directors should be 20 or less (among these, five or less should be Audit & Supervisory Committee members) pursuant to the Articles of Incorporation.

As of March 31, 2016, we had eight Directors. 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.

The Board of Directors holds regular meetings once a month and extraordinary meetings as the need arises. The Board makes decisions on important management and legal matters and receives reports regarding business execution at Group companies, which it uses to conduct oversight.

In addition, SBF stipulates in its Articles of Incorporation that Directors can be entrusted with the responsibility for making all or certain important decisions regarding business execution via a vote by the Board of Directors. Among important matters related to business execution, SBF sets M&A, structural reorganization, and the acquisition/disposal of a large amount of assets as matters of resolution for the Board of Directors. As a general rule, decisions related to individual business execution are entrusted to the management ranks, such as SBF's President.

### (2) Audit & Supervisory Committee

The Audit & Supervisory Committee comprises three Audit & Supervisory Committee members (including two Outside Directors) and performs audits on Directors' performance of duties and other general performance of duties relating to the Group's management, in accordance with the internal control system.

Moreover, in order to strengthen the auditing and supervisory functions of the Audit & Supervisory Committee, SBF collects information from Directors (excluding Audit & Supervisory Committee members) and shares information at important meetings. Also, with the aim of ensuring ample cooperation between the Internal Audit Division and the Audit & Supervisory Committee, SBF has selected one full-time Audit & Supervisory Committee member. Centering on this full-time member, SBF works to achieve a mutual understanding between Directors and the Internal Audit Division and makes efforts to gather information and maintain a suitable environment for audits.

Kozo Chiji, the full-time Audit & Supervisory Committee member, possesses a considerable amount of expertise related to finance and accounting through his accumulated financial and accounting experience as the Chief Operating Officer of the Finance & Accounting Division at Suntory Holdings Limited.

### (3) Independent Accounting Auditor

SBF has selected Deloitte Touche Tohmatsu LLC as its Independent Accounting Auditor. The Independent Accounting Auditor provides advice and instructions to SBF from a third-party standpoint regarding the appropriateness and legal compliance of SBF's accounts and related internal control systems.

The following certified public accountants (CPAs) have carried out accounting auditing duties for SBF. The number of continuous years that any of these CPAs have conducted audits is less than seven.

- Koji Inagaki (Deloitte Touche Tohmatsu LLC)
- Hideyuki Hirata (Deloitte Touche Tohmatsu LLC)
- Keiko Hishimoto (Deloitte Touche Tohmatsu LLC)

In addition, 18 other CPAs and 19 other individuals are involved in assisting with accounting auditing duties.

### (4) Internal Audit Division

SBF has established an Auditing Department that acts as the Internal Audit Division. The Auditing Department conducts audits of SBF and its Group companies to ensure business operations are being conducted in an appropriate manner.

As of March 31, 2016, there were 15 members in the Auditing Department. Many of these members possess a high level of expertise related to finance and accounting.

### (5) Personnel Committee

SBF has established the Personnel Committee as a voluntary committee that deals with Director nomination and remuneration. The Personnel Committee discusses prospective candidates for Director and submits reports to the Board of Directors regarding the suitability of Director candidates. The Committee also holds deliberations regarding the standard and index for Director remuneration (excluding Audit & Supervisory Committee members), and reports their validity to the Board of Directors. The Committee comprises four members in total: two Outside Directors, SBF's President, and the Human Resources Department Chief.

#### **(6) Risk Management Committee, etc.**

SBF has established the Risk Management Committee, the Quality Assurance Committee, and the Environment Committee, and has set up the Compliance Committee as a subordinate body of the Risk Management Committee.

The Risk Management Committee takes on the role of promoting the risk management activities of the entire Group. The Committee identifies the Group's risks, designs countermeasures for these risks, and verifies the progress of responding to these risks. The Compliance Committee confirms and deliberates on issues related to compliance for the Group and measures to respond to these issues.

The Quality Assurance Committee is in charge of promoting quality assurance activities for the entire Group. The Committee identifies issues pertaining to the Group in terms of quality assurance, works to develop countermeasures, and confirms the progress of response to such quality assurance issues.

The Risk Management Committee and Quality Assurance Committee have also established corrective actions in the event a risk becomes real, such as determining reporting rules for when a crisis occurs.

The Environment Committee oversees the promotion of Group wide environmental management. The Committee designs and promotes strategies and medium- to long-term plans to advance business activities that give consideration to sustainability.

#### **Internal Control System**

SBF has decided on the following internal control system in order to ensure the appropriateness of business operations.

#### **(1) System to ensure the performance of Group and Group subsidiaries Directors' and Executive Officers' (hereinafter referred to as "Directors and Executive Officers") and Employees' duties conform to laws, regulations, and the Articles of Incorporation**

1. The Group shares the beliefs set forth in our corporate philosophy, "In Harmony with People and Nature." As international corporate citizens, the Group respects the rules of civil society and places the highest priority on compliance. As we expand our business activities, each Director, Executive Officer, and Employee of the Group will make decisions as corporate citizens based on social ethics.

2. To implement the above philosophy in our business operations, every Director, Executive Officer, and Employee shall respect compliance and social ethics, and base their standard of conduct on the Group's corporate ethics. The Directors and Executive Officers shall take the initiative in complying with laws, regulations, the Articles of Incorporation, and corporate ethics, and actively make efforts to maintain and improve management based on compliance.

3. To ensure that the Group's Directors, Executive Officers, and Employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation, the Group has established the Compliance Committee, a subordinate body of the Risk Management Committee. The Compliance Committee promotes Group wide compliance activities and deliberates important issues related to compliance promotion. Moreover, the Compliance Committee and the General Affairs Department conduct regular compliance education and training activities, as well as work to establish and promote a Group wide compliance system.

4. The Risk Management Committee and Compliance Committee shall report the details of discussed matters and compliance activities to the Board of Directors and the Audit & Supervisory Committee in a timely manner.

5. In the case that a Director and Executive Officer discover an issue related to the Group's compliance, the Director and Executive Officer shall report the issue promptly to the Compliance Committee. Moreover, compliance hotlines are established both inside and outside the Group to allow Employees to directly report compliance issues. After making efforts to secure information on the issue, the Compliance Committee, when receiving a report on the issue, shall investigate the details. As necessary, the Compliance Committee shall consult with related departments to take corrective action and establish measures to prevent recurrence. These measures shall then be enforced Group wide.

6. As necessary, a Director shall be dispatched to Group companies to oversee the appropriateness of business execution and decision making. As necessary, this Director shall work in coordination with related departments to provide Group companies with advice, guidance, and support.

7. As necessary, a corporate auditor shall be dispatched to Group companies to conduct an audit.

8. An Auditing Department has been established and shall conduct internal audits relating to compliance and the appropriateness of business execution. The Auditing Department shall report the results of internal audits to the Audit & Supervisory Committee and the President and Representative Director in a timely manner.

9. The Group shall establish and maintain internal control systems to ensure the appropriateness of its financial reporting.

10. The Directors and Executive Officers 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' and Executive Officers' duties**

1. The Directors and Executive Officers shall preserve and manage valuable documents related to decision making, such as the minutes of the General Meeting of Shareholders and Board of Directors meetings (including electromagnetic records), as well as any other valuable information related to the performance of Directors' duties, in accordance with laws, regulations, and internal rules.

2. The Directors shall maintain the availability of documents and information mentioned above for inspection as necessary.

3. The Risk Management Committee shall establish and promote an information security governance system that not only protects and preserves information, including personal information, but also boosts corporate value by utilizing information.

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

1. The Group's basic policy for risk management shall be determined by the Board of Directors.

2. Each Director and Executive Officer shall be responsible for taking measures against risks that occur in business execution. Material risks shall be analyzed and evaluated, and plans for improvement shall be discussed and determined by the Board of Directors.

3. Risks related to Group management, such as quality risks pertaining to the Group as a whole and risks related to business execution throughout the Group, shall each be managed comprehensively and collectively by the Risk Management Committee and Quality Assurance Committee. In addition, these committees shall establish rules, formulate guidelines, and conduct training activities to manage such risks as necessary.

4. As for newly arising material risks, Directors who can respond to such risks with a sense of responsibility will be promptly appointed to the Board of Directors, and measures against these risks shall be determined by such Directors.

#### **(4) System to ensure the efficient performance of duties by Group Directors**

1. The Group's basic management policies shall be determined by the Board of Directors.

2. The Group's Directors and Executive Officers shall establish Company wide goals to be shared among Directors, Executive Officers, and Employees. Directors shall work to determine efficient methods for achieving Company wide goals, such as appropriately allocating specific goals and authority to business divisions.

3. The Directors in charge shall confirm the progress of the achievement of goals and shall be required to report specific measures being taken to achieve the goals at Board of Directors meetings.

4. Each Director shall be in charge of their duties appropriately and engage in efficient decision making based on internal regulations for responsibility and authority.

#### **(5) System for Directors and Executive Officers of Group companies to report matters relating to business execution by the Group**

1. Business execution of Group companies shall be reported regularly to the Executive Committee and the Board of Directors.

2. Directors and Executive Officers in charge of Group companies shall request reports on business execution from Group companies as necessary.

3. In the internal regulations for responsibility and authority, Group companies shall be obligated to report to and cooperate with the Group, or receive approval from the Board of Directors, on certain matters relating to management at Group companies.

4. The Auditing Department shall report the results of internal audits of Group companies to the President and Representative Director in a timely manner.

**(6) System to ensure the appropriateness of business operations of the Group and its parent company**

The Group shall ensure objectivity and rationality in transactions between the Group and Group companies, including the parent company. The Group shall ensure independence from the parent company, especially in regard to transactions with the Parent company.

**(7) Matters regarding Directors and Employees who are requested to assist with the duties of the Audit & Supervisory Committee (excluding Directors who are members of the Audit & Supervisory Committee), matters regarding the independence of such Directors and Employees from the Audit & Supervisory Committee, and matters regarding the provision of effective instructions to such Employees.**

1. Directors and Employees of the Auditing Department shall assist with the duties of the Audit & Supervisory Committee. The transfer and evaluation of Auditing Department Directors and Employees shall be conducted with respect to the opinions of the Audit & Supervisory Committee. The independence of such Directors and Employees from other Directors (excluding Directors who are members of the Audit & Supervisory Committee) shall be ensured.

2. In the case that a Director or an Employee of the Auditing Department is requested to assist with the duties of the Audit & Supervisory Committee, such Directors or Employees shall strictly follow the direction and commands of the Audit & Supervisory Committee.

**(8) System for Directors (excluding Directors who are members of the Audit & Supervisory Committee), Executive Officers, Employees, and auditors of the Group (or equivalent persons) to report to the Audit & Supervisory Committee, as well as persons who receive reports from Directors, Executive Officers, Employees, and auditors of the Group to report to the Audit & Supervisory Committee, and system for other reports to the Audit & Supervisory Committee**

1. The President and Representative Director and Group Directors shall report on their business execution at Board of Directors meetings as necessary.

2. In the case that the Audit & Supervisory Committee requests a report on a business or conducts an investigation of a business or property, the Directors (excluding Directors who are members of the Audit & Supervisory Committee), Executive Officers, and Employees of the Group shall respond to the request or investigation promptly and accurately.

3. In the case that a Director (excluding a Director who is a member of the Audit & Supervisory Committee), Executive Officer, and Employee discover any incident that could bring harm to the Group, such as a violation of laws or regulations, the Director, Executive Officer, and Employee shall immediately report the incident to the Audit & Supervisory Committee.

4. The Auditing Department and the Risk Management Committee shall regularly report the results of internal audits of Group companies, as well as the status of any other activities, to the Audit & Supervisory Committee.

5. The General Affairs Department shall regularly report the status of internal reporting at Group companies to the Audit & Supervisory Committee.

**(9) System to ensure that persons who submit reports to the Audit & Supervisory Committee will not be treated disadvantageously due to their submission of reports**

Directors (excluding Directors who are members of the Audit & Supervisory Committee), Executive Officers, and Employees of the Group shall be able to submit reports directly to the Audit & Supervisory Committee. Internal regulations prohibit disadvantageous treatment of any Director, Executive Officer, and Employee due to their submission of reports.

**(10) Policy on prepayment and repayment of expenses resulting from the business execution of the Audit & Supervisory Committee (limited only to business execution related to the Audit & Supervisory Committee) and the processing of expenses and debt resulting from said business execution, and system for enabling the Audit & Supervisory Committee to conduct other audits**

1. In the case that the Audit & Supervisory Committee requests prepayment or repayment of expenses resulting from its business execution based on Article 399, Paragraph 2, Item 4 of the Companies Act, excluding cases where such expenses or debts are not necessary for said business execution, such expenses and debts shall be promptly recorded.

2. In the case that the Audit & Supervisory Committee independently requests the use of external specialists for its business execution, excluding cases where such a request is not necessary for said business execution, SBF shall cover the expenses.

3. The Audit & Supervisory Committee shall work to ensure that information is exchanged between auditors of Group companies (or equivalent persons), the Auditing Department, and themselves, and that a mutual understanding is shared by all parties.

4. The Audit & Supervisory Committee shall provide regular opportunities for the exchange of opinions with the President and Representative Director and the Independent Accounting Auditor.

## Outside Directors

### (1) Selection of Outside Directors

The Outside Directors shall express their opinions through observations based on their experience and insight as corporate managers or through observations formulated from their expert viewpoints as researchers, attorneys, and so forth, thereby aiding in appropriate decision making and oversight of business execution by the Board of Directors, as well as enhancing the auditing functions of the Audit & Supervisory Committee.

As of March 31, 2016, SBF had three Outside Directors, of whom two were also members of the Audit & Supervisory Committee.

Outside Director Yukari Inoue possesses an abundance of expertise and knowledge as well as overseas experience through her many years of service as a corporate manager. She provides constructive advice and appropriate oversight from an objective and neutral position during deliberation of agenda items at meetings of the Board of Directors and in other settings. Accordingly, SBF believes that she is properly qualified for the post of Outside Director.

Outside Director and Audit & Supervisory Committee member Yukihiro Uehara possesses extensive knowledge and a high level of insight as a researcher in the fields of marketing and management strategy. As an Outside Director, he provides appropriate advice about the validity and suitability of decision making related to SBF's business execution from an objective and neutral position. As such, SBF believes that he is properly qualified for the post of Outside Director.

Outside Director and Audit & Supervisory Committee member Harumichi Uchida possesses an abundance of experience and knowledge, as well as a high level of insight as an attorney who is well-versed in the field of corporate law. As an Outside Director, he offers appropriate advice about the validity and suitability of decision making related to SBF's business execution from an objective and neutral position. Accordingly, SBF believes that he is properly qualified for the post of Outside Director.

### (2) Interests between SBF and Outside Directors

Outside Director Yukari Inoue is the Managing Director of Kellogg Japan G.K., and serves as an Outside Director for JC Comsa Corporation. There are no special related-party interests between SBF and either of these two companies.

Outside Director and Audit & Supervisory Committee member Yukihiro Uehara is the representative director at Comtec 22 Inc. and a specially appointed professor of Institute of Current Business Studies, Showa Women's University. He also serves as an Outside Director for INTAGE HOLDINGS Inc. There are no special interests between SBF and these entities.

Outside Director and Audit & Supervisory Committee member Harumichi Uchida is an attorney with Mori Hamada & Matsumoto and serves as an outside Audit & Supervisory board member for both Daifuku Co., Ltd. and Sumitomo Dainippon Pharma Co., Ltd. There are no special interests between SBF and these entities.

### (3) Selection standards for Outside Directors

SBF views Outside Directors as independent if they do not fall into the categories below.

- A close relative (of first or second degree) of the relevant Outside Director is currently or has in the past been an executive Director of SBF or its subsidiaries.
- A company where the relevant Outside Director currently serving as an Executive Officer or employee has transactions with the Group and the monetary amount of such transactions was greater than 2% of consolidated net sales for either company in the past three business years.
- The relevant Director has, as an expert or consultant in the field of law, accounting, or tax, received remuneration of over ¥10 million directly from SBF in the past three business years. This excludes remuneration as a Director of SBF and remuneration paid to the organization or business to which the relevant Outside Director belongs.
- A nonprofit organization of which the relevant Director is an executive Director has received donations from SBF of over ¥10 million and this amount exceeded 2% of the relevant organization's total business income in the past three business years.

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

Transactions between the Suntory Group including Suntory Holdings Limited, SBF's parent company, are examined by SBF's General Affairs Division and Accounting Division beforehand to confirm the necessity of the transaction, and the appropriateness of its terms and conditions, and decision-making process. Working to ensure its independence from the parent company, the decisions regarding transactions with the parent company and other Suntory Group members, deemed to be particularly important, are taken after sufficient deliberation by the Board of Directors including several independent Outside Directors in respect to the necessity and appropriateness of the said transactions. In regard to a transaction with the Suntory Group that is scheduled to be conducted in fiscal 2016, it was deliberated upon at a Board meeting held in December 2015 and approved after being deemed necessary and appropriate.

In addition to deliberation beforehand, the Internal Auditing Division conducts a post-transaction check on

details of the transaction and whether it was based on the contents of the deliberation. Also, the Audit & Supervisory Committee conducts an audit to assess the soundness and appropriateness of the transaction.

### Compensation of Directors and Members of the Audit & Supervisory Committee

Through a resolution of the Ordinary General Meeting of Shareholders held on March 27, 2015, remuneration for directors (excluding directors who are Audit & Supervisory Committee members) was determined to be within ¥1,000 million a year (not including the employee portion of salaries of Directors who are concurrently employees), and remuneration for Outside Directors was determined to be within ¥100 million a year. The limit for Audit & Supervisory Committee member remuneration was set at ¥150 million a year through a resolution at the same meeting.

The allocation of remuneration to each Director (excluding Directors who are Audit & Supervisory Committee members) is entrusted to the Board of Directors, and the allocation of remuneration to each Audit & Supervisory Committee member is entrusted to the Audit & Supervisory Committee. The details on remuneration amounts are as follows.

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

Position	Millions of yen			Number of eligible Directors
	Total compensation and other remuneration	Total by compensation and remuneration category	Bonuses	
Directors (excluding Outside Directors)	391	228	163	8
Outside Directors (excluding Audit & Supervisory Committee members)	12	12	–	2
Audit & Supervisory Committee members (excluding Outside Directors)	23	14	9	1
Outside Directors (Audit & Supervisory Committee members)	16	16	–	2
Auditors (excluding Outside Directors)	12	8	4	2
Outside auditors	8	8	–	2

Note: Not including employee salary

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

Name	Category	Millions of yen		Total compensation amount
		Basic compensation	Bonuses	
Nobuhiro Torii	Director	72	50	122

#### (3) Policy on determining the amount of compensation for Executive Officers

Remuneration for Directors is structured to be at levels that correspond to their role and responsibilities. This structure provides Directors with motivation to improve SBF's performance and corporate value and also gives consideration to securing outstanding personnel.

Compensation for executive directors comprises a basic salary (a monthly, fixed amount) and bonuses (annual, performance-based). Compensation levels are determined based on each Director's role and responsibilities. The amounts for bonuses are primarily determined by a benchmark based on SBF's consolidated operating income.

In principle, non-executive Directors' compensation comprises only a basic salary (a monthly, fixed amount). As for full-time Audit & Supervisory Committee member's compensation, in addition to the basic salary, a bonus is paid (annual, performance-based) in consideration of a member's contribution to SBF's performance. Compensation levels are determined based on each member's role and responsibilities. The amounts for bonuses are primarily determined by a benchmark based on SBF's consolidated operating income.

SBF does not have a retirement benefit system or a stock option system.

### Compensation of the Independent Accounting Auditor

#### Details of compensation for certified public accountants and other staff of the Independent Accounting Auditor

Category	Millions of yen			
	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Suntory Beverage & Food Limited	50	15	50	48
Consolidated subsidiaries	29	–	39	–
Total	79	15	89	48

### Investor Relations Activities

The Corporate Communication (CC) Division is in charge of investor relations activities. SBF holds presentations on financial results (second-quarter and year-end) given by the President and Representative Director or the Chief Financial Officer. In addition, SBF holds several one-on-one meetings with institutional investors in major cities in Europe, the United States, and Asia each year. Presentations at these meetings are also given by the President and Representative Director, the Chief Financial Officer or members of the CC Division. In principle, important disclosure materials for investors are provided entirely in English and are posted on SBF's website at the same time as, or shortly thereafter, the Japanese-language materials are disclosed.