

January 13, 2021

## **Progress Report on the Responsible Palm Oil Sourcing Policy (January – June 2020)**

**Fuji Oil Group (Fuji)** formulated and announced its Responsible Palm Oil Sourcing Policy in March 2016. The Responsible Palm Oil Sourcing Policy outlines commitments towards a No Deforestation, No Peatland and No Exploitation (NDPE) policy for all palm oil production within our supply chain – Fuji Oil Responsible Palm Oil Sourcing Policy.

<https://www.fujioilholdings.com/pdf/en/csr/sustainable/160310.pdf>

**The progress on our initiatives to implement the Responsible Sourcing Policy is shared every six months to our stakeholders. This report will provide information on new developments made since January 2020.**

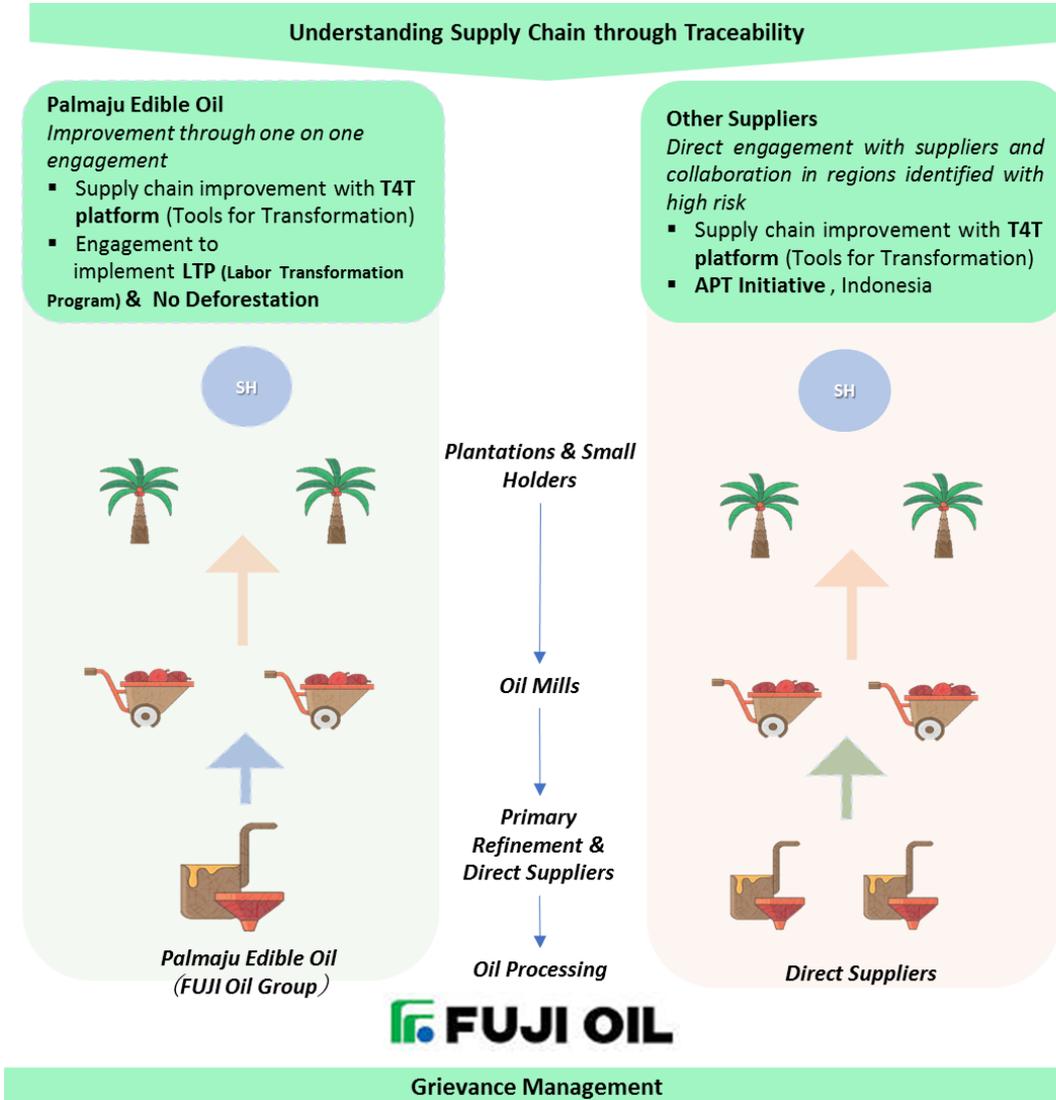
### **Progress**

**Fuji** carries out a number of key activities to promote our Responsible Palm Oil Sourcing Policy as explained in Figure 1. This report focuses on 4 activities which have made progresses since January 2020:

- 1. Traceability**
- 2. Grievance Mechanism**
- 3. Transformation Activities for Palmaju Supply Chain**
  - A. Tools for Transformation (T4T): NDPE Self-Assessment & Monitoring Platform
  - B. Engagements to implement “No Exploitation” commitments [LTP: Labour Transformation Programme]
  - C. Engagements to implement “No Deforestation” commitments
- 4. APT Landscape Initiative (Indonesia – Sumatra)**

To enable us to meet our Responsible Palm Oil Sourcing Policy goals, we work together with smallholders, millers, refiners and suppliers to identify and address gaps within our supply chain.

**[Figure 1: Overview of Main Activities to Improve supply chain based on Fuji's Responsible Palm Oil Sourcing Policy]**

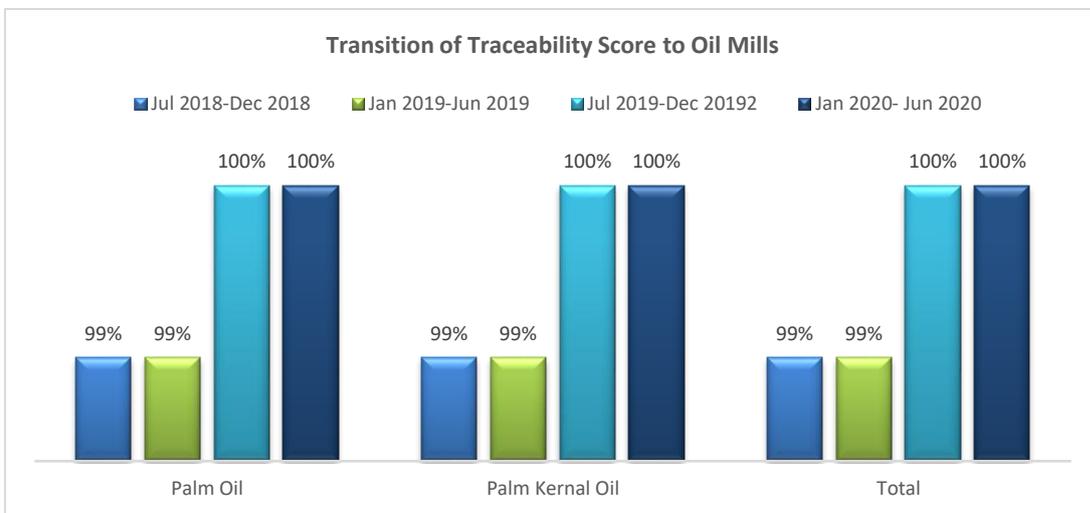


**1. Traceability** [ See Understanding Supply Chain through Traceability in Figure 1]

**Fuji** aims for a transparent NDPE compliant supply chain and plans to achieve full traceability to mills for all palm oil purchased and processed across the Group by 2020.

We are proud to announce that we have achieved a global palm oil traceability to mill score of 100 % for the period from January 2020 to June 2020, which is consistent with the last reporting period. This refers to a global average of 100 % for both Palm Oil (PO) and Palm Kernel Oil (PKO) products across all Fuji Business units across the world.

**[Figure 2: Overview of Global Traceability To Mill Score From July 2018- June 2020]**



The continuous efforts in strengthening communication with suppliers within all **Fuji's** sourcing regions and across all **Fuji** business units have attributed to the increase in the traceability.

**Fuji** is committed to supply chain transparency as stated in our Responsible Palm Oil Sourcing Policy and will continue to strengthen engagement with suppliers to maintain the full traceability scores.

**Note on results**

- Traceability levels may vary over time due to data availability, changes in sourcing or other issues.
- All traceability numbers are based on self-disclosed information provided by our suppliers. In some cases, the GPS coordinates of mills were shared with our sustainability partner **Earthworm Foundation (EF)** and not directly with **Fuji**.
- Some mill data is bound to NDA's between EF and our suppliers. Plans for **Fuji** to hold this data are being developed.

## **2. Grievance Mechanism** [ See Grievance Management in Figure 1]

We have established and published our grievance mechanism in May 2018 to carry out our NDPE policy. The Grievance procedure and Grievance list have been published on our Grievance website on the following link: [https://www.fujioilholdings.com/en/csr/grievance\\_mechanism/](https://www.fujioilholdings.com/en/csr/grievance_mechanism/)

In April 2020, we had revised the grievance procedure to enable us to respond to grievances in a more effective manner. The update on our grievance process has included our commitment on Group level association, establishing the suspension and engage protocol to all our suppliers and has shown that we have a clear procedure on how we handle each category of grievance that may come up.

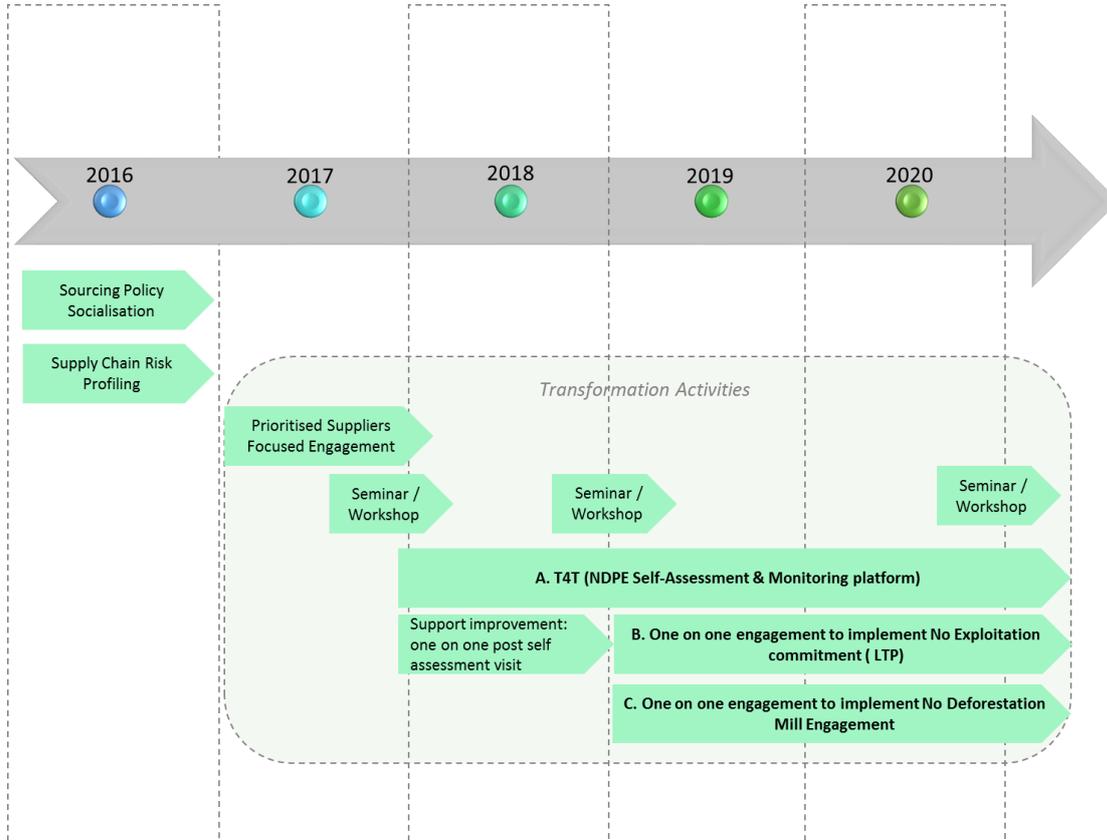
The Grievance List is updated on a quarterly basis and the last update has been done in September 2020. **Fuji** continues to monitor, engage and communicate with our suppliers to ensure the grievances raised by various parties are dealt with and managed in accordance to our Commitment.

## **3. Transformation Activities for Palmaju Supply Chain**

Since July 2016, we have partnered with Earthworm Foundation to implement our Responsible Palm Oil Sourcing Policy. As part of the policy implementation strategy, we had embarked on an Aggregator Refinery Plan (ART)<sup>i</sup> for the Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) suppliers in the supply chain of Palmaju Edible Oil which is our group's first refinery in Malaysia. The ART plan was implemented and aimed to provide support to enable changes to take place on the ground through our partners in the supply chain which ranges from refiners, millers to growers.

Our implementation strategy has now evolved around a number of specific transformation activities that are focusing on prioritized needs in the supply chain. These activities ranges from broad level engagements (trainings & seminar) to self-assessment, monitoring activities and one on one field engagements. The overview of all Transformation Activities (and Evolvement of ART plan) can be seen in Figure 3.

**【Figure 3 : Transformation Activities Overview】**



**A. Tools for Transformation (T4T): NDPE Self-Assessment & Monitoring Platform**

Fuji has been using the **Tools for Transformation Self-Assessment (T4T)** <sup>ii</sup> to scale up our transformation efforts and to help our palm oil suppliers to self-assess their practices while understanding where they stand against Fuji Oil Responsible Palm Oil Sourcing Policy requirements (No Deforestation, No Peatland, No Exploitation). The tool is useful to both suppliers and us to understand the supplier’s current status versus **Fuji’s** Policy.

A total of 48 entities have been engaged and have attended the workshops on T4T in 2019. The uptake in assessments by mills and plantation have also increased since 2018 as shown in Figure 4 and this shows that our suppliers are equally committed to improve their practices.

**【Figure 4: Total Number of Completed T4T Assessments for 2018 and 2019】**

		Number of completed T4T assessments FY 2018	Number of completed T4T assessments FY 2019
Palmaju	Mill	7	8
	Plantation	5	10
Indirect suppliers	Mill	-	14
	Plantation	-	11

For 2019, T4T had included Action Plan module in the system. Suppliers who have responded to the questionnaire were provided with an action plan to address the gaps found through the answered questionnaire.

**【Figure 5: Outline of T4T (Tool for Transformation) self-assessment】**



The final report for the 2019 key findings and risks of non-compliance together with detailed follow up steps for our team to work on and provide support has been handed over by EF in early Q3 2020. The Fuji team will communicate with our suppliers accordingly to ensure the gaps identified are closed and to continuously encourage our suppliers to live up to the policies in place.

**B. One on One engagements to implement “No Exploitation” commitments [LTP<sup>iii</sup>]**

Our work through T4T have also enabled us to have a better visibility on the need to strengthen our transformation work to improve labor practices and standards in the industry. We recognize the need to eliminate forced and bonded labor within the palm oil supply chain and it is a priority for key palm oil suppliers and buyers especially due to market demand for NDPE compliant supplies. This support is especially useful for small and medium sized entities to embark on transformative

activities especially in alleviating Forced and Bonded labor.

In H1 2020, **Fuji** continues to intensify its efforts to engage with its key suppliers through one on one engagements to implement its “No Exploitation” commitments; The **Labour Transformation Programme**<sup>iv</sup> addresses specific labor exploitation risks such as : contract management, wages & working hours, grievance mechanisms, freedom of movement, freedom of association, migrant workers’ post arrival recruitment processes as well as health & safety and access to safe accommodations.

Unlike traditional field assessments, LTP focuses on supporting companies to improve key labor practices through tailored assistance and the provision of resources; based on an initial gap analysis on selected topics. Each transformative step is designed to be easily implementable and measurable. It thus provides qualitative and quantitative incentives for suppliers to adapt to new market requirements (NDPE) and change their practices.

Two additional LTP engagements have been planned for the year with key entities within the Palmaju supply chain. The visits are expected to be by end of 2020 as there has been restriction to travel in the first half of the year due to the COVID -19 outbreak. Discussions on the potential visit dates has been continued and the team will be mobilized on the ground as soon as the condition permits.

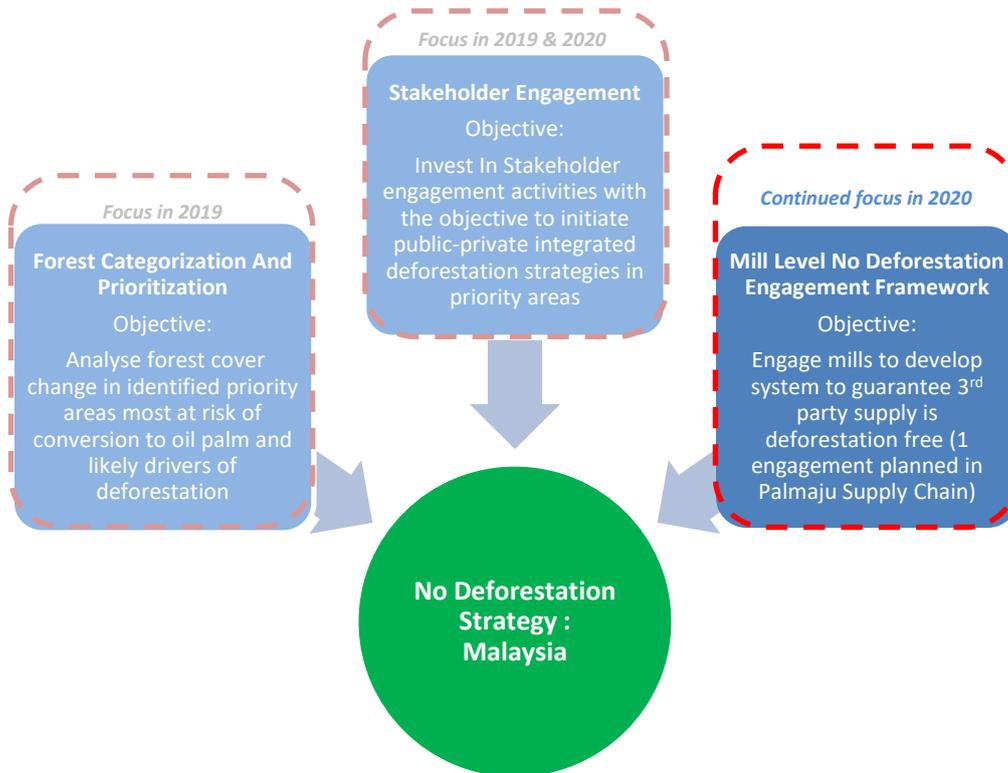
A workshop is also planned for Palmaju’s suppliers in early of 2021 where valuable findings and learnings will be shared in order to improve the understanding and practices on the ground.

### **C. One on One engagements to implement “No Deforestation” commitments**

At **Fuji** we are guided by our Responsible Palm Oil Sourcing Policy and we are committed to ensure that our supply chain is free from deforestation and development on peatlands. In order to achieve this, we are collaborating with our sustainability partner and other industry players to shape a No Deforestation Transformation Strategy in Malaysia.

A series of strategic activities were designed to complement the Theory of Change drawn by our sustainability partner Earthworm Foundation. The activities as shown in Figure 6 intends to maximize our impact on deforestation, drive efficient implementation of No Deforestation commitments and policies based on a two-pronged strategy aimed at both private and public engagement.

**【Figure 6: No Deforestation Strategy Activities and Objectives】**



In 2019 Fuji together with EF made significant progress through the collaboration and completed:

- A baseline heat map of Malaysia to steer the engagement strategy with suppliers and government agencies to focus on priority areas
- Spatial analysis on 3 study sites in Sabah to understand drivers of deforestation
- Stakeholder meetings with the Ministry and relevant department heads
- Development of guidance documents to Implementation Traceability to Plantation.

In 2020, Fuji will continue concentrated engagements with Mill Level No Deforestation Engagements\* to meet the goals of building better process for Traceability to Plantation. The visits to suppliers on the ground has been planned for the rest the year.

\*Mill Level No Deforestation engagements

The Mill Level No Deforestation engagements are designed to engage CPO suppliers with the objective to guarantee that FFB (Fresh Fruit Bunches) are sourced on a deforestation free basis. It is also an opportunity to engage with relevant FFB traders and gather additional TTP (Traceability to Plantation) information

Two engagements are to be scheduled:

- Engagement #1 is underway (with a first site visit completed)
- A supplier has been identified for proceeding with Engagement #2

#### 4. APT Landscapes Initiative – Indonesia<sup>v</sup> [See Other Supplier activity in Figure 1]

Almost 60% of Fuji's supply comes from Indonesia and this remains a key sourcing supply for our supply chain.

Fuji joined the **Areal Prioritas Transformasi (APT)** or Priority Transformation Areas initiative in Aceh Taming, Indonesia in 2018 to reduce deforestation and demonstrate the feasibility of balancing commodity production, conservation and good social and labor practices at scale.

**[Figure7: Location of Aceh Tamiang Landscape]**



Location of Aceh Tamiang Landscape with respect to the Leuser Ecosystem.

Our involvement in the last two years has delivered positive impacts and continues to achieve new milestones.

As the world faces uncertainty with the COVID-19 pandemic, the APT team had made good progress in engaging with all the stakeholders involved in Aceh Tamiang and Southern Aceh, between January 2020 to June 2020, the team have reported achievements and progress:

- Presented sustainability self-assessments to Mayor and relevant agencies to build mutual understanding of regional issues
- Redesign and expansion of tree nursery in Pantai Cempa, Bengkeleng & Babo where 20,000 seeds and seedlings was distributed, trainings for 300 farmers was continued. This is part of the Livelihoods Programme pilot.
- Sustained enthusiasm from local communities engaged in Livelihoods Programme pilots
- Confirmed decrease in the trend of deforestation in Aceh Tamiang and Southern Aceh

#### **Next Steps**

In 2020, Fuji continues to persist with its efforts to uphold its Responsible Sourcing Policy. While

work on the ground may have been disrupted a little, with the unprecedented situation with the current Covid-19 widespread, we are doing all we can to compensate and innovate to ensure our plans are met.

**Fuji** is working hard to ensure that its strategy is implemented across the supply chain. Traceability to Plantation is one area that we will be intensifying our efforts as we acknowledge the importance of understanding where our FFB supplies come from in order to reach our No Deforestation objectives.

We will continue to work together with our suppliers by leveraging the Tools for Transformation platform. The tool provides our team with key information on gaps and requests for support from our suppliers and this guides us to better prepare our team when engaging them in the fields.

The ‘One on one field engagements’ planned with key suppliers will provide our suppliers with an opportunity to understand the industry expectation better and at the same time guide them to have better governance of their practices when it comes to “No Exploitation” & “No Deforestation” commitments as well as traceability implementation.

Fuji is also committed to continue to review and respond on grievances and will be regularly updating our Grievance list (quarterly basis), supply chain data and our traceability score (every 6 months) on our dedicated dashboard.

---

<sup>i</sup> **ART Plan**

<https://www.earthworm.org/news-stories/art-episode-1-how-tft-works-in-palm-oil-an-introduction-to-the-art-plan>

<https://www.earthworm.org/news-stories/art-episode-2-traceability-getting-to-the-heart-of-things>

<https://www.earthworm.org/news-stories/art-episode-3-mpp-plotting-the-road-map>

<sup>ii</sup> **Tools for Transformation (T4T)**

T4T is an online system created and managed by EF to help palm oil refineries engage their suppliers to improve practices on the ground and report progress. This automated system uses the power of digital technology to transfer and collect huge amounts of sustainability data, generate automated action plans, link businesses with a know-how library and empower step by step transformative change on the ground.

<sup>iii</sup> **Labour Transformation Programme (LTP)**

The LTP is a supplier engagement initiative focused on transformation around key labor issues developed by EF in 2019.

<sup>iv</sup> **APT Landscape - Indonesia**

<https://www.earthworm.org/our-work/projects/aceh-tamiang-sumatra-indonesia>

<https://www.earthworm.org/news-stories/tft-and-aceh-tamiangs-local-government-gearup-to-support-smallholders-and-protect-forests>