

**Progress Report on the Responsible Palm Oil Sourcing Policy  
(July – December 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 July 2020.**

## **Progress Summary**

**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 progress since July 2020:

**1. Traceability**

Achieved 100% Traceability to Mill (TTM) and 71% Traceability to Plantation(TTP) in FY 2020

**2. Grievance Mechanism**

Latest Grievance updates had been done in March 2020

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

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

19 direct / indirect suppliers have been completed the T4T assessment in FY 2020

**B. Engagements to implement “No Exploitation” commitments [LTP: Labor Transformation Programme]**

Developed the virtual engagement system and have implemented for a supplier to engage “No Exploitation” commitments

**C. Engagements to implement “No Deforestation” commitments**

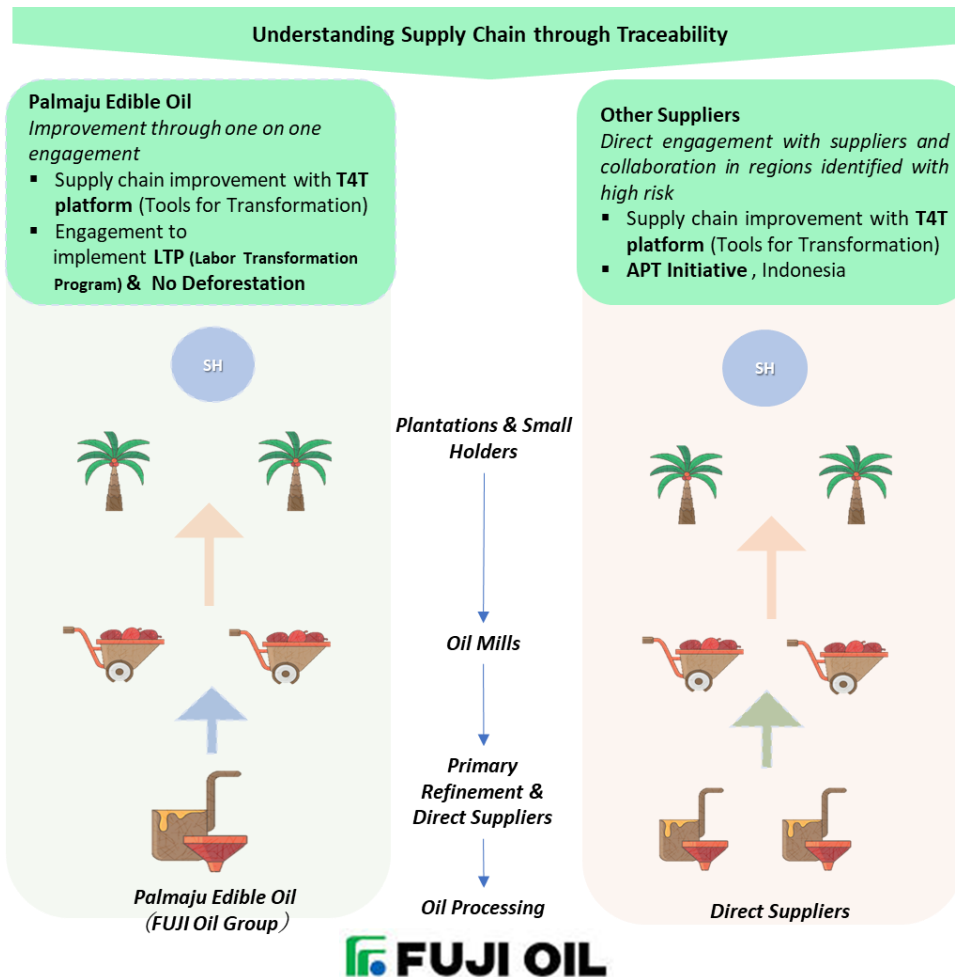
1 mill level engagement had been conducted in FY 2020 and determined that 70% of our supply chain (estates and smallholders included) in Peninsular Malaysia through our Palmaju refinery is Deforestation Free as of December 2020

**4. APT Landscape Initiative (Indonesia – Sumatra)**

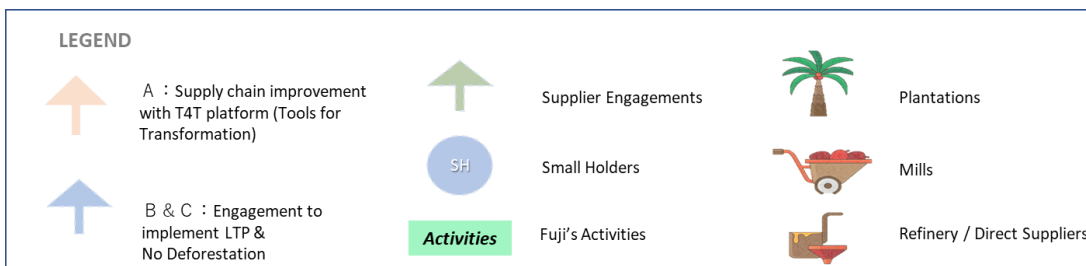
- A. Engaged with newly-appointed local government leaders in key agencies in Aceh Tamiang and yielded full government support and agreement to conduct virtual labor trainings
- B. Helped vulnerable communities respond to the pandemic
- C. Confirmed 52% decrease of deforestation rate in Aceh Tamiang and 71% in Southern Aceh
- D. 94% of the plantations and mills in the region provided with No Deforestation, No Peat, and No Exploitation (NDPE) policy and implementation trainings

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 Fuji's Responsible Palm Oil Sourcing Policy**



**Grievance Management**



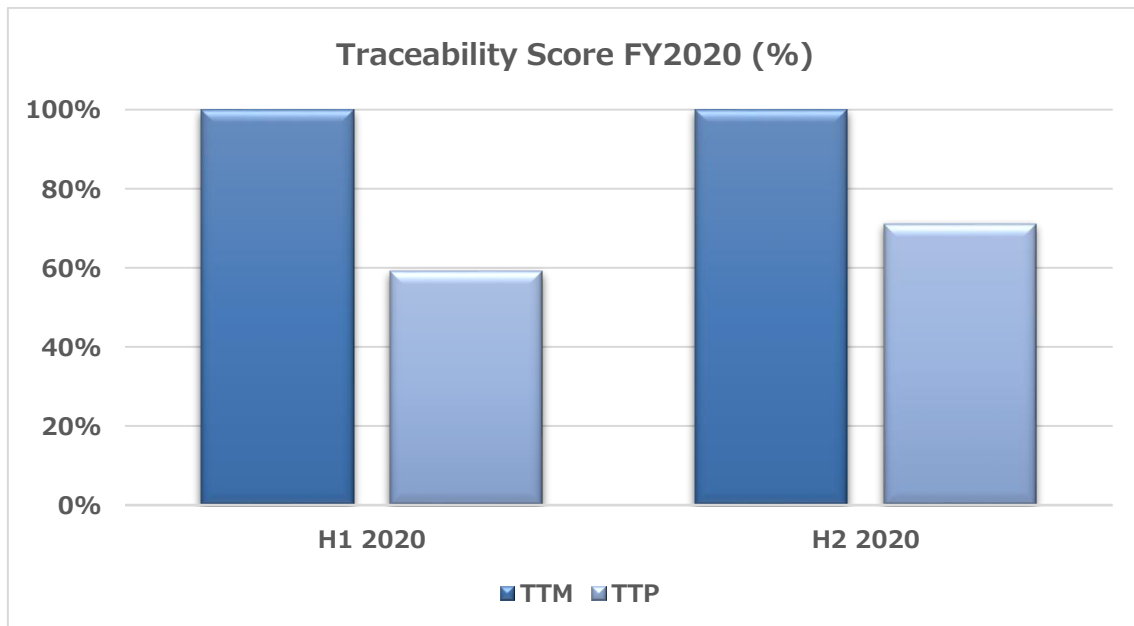
**1. Traceability [ See Understanding Supply Chain through Traceability in Figure 1 ]**

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 (TTM) score of

100% for the period from July 2020 to December 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. We also achieved global palm oil traceability to plantation (TTP) score of 71% for the same reporting period.

**Figure 2: Overview of Global Traceability Score for FY2020**



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/)

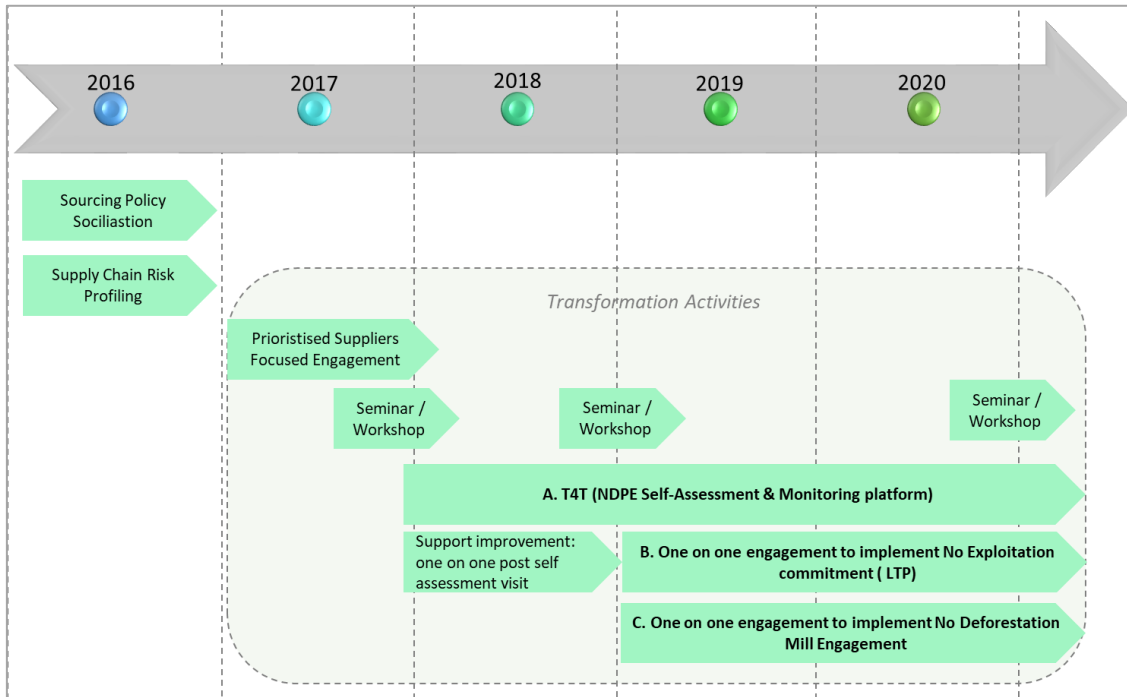
The Grievance List is updated on a quarterly basis and the last update has been done in March 2021. **Fuji** continues to monitor, engage and communicate with our suppliers to ensure the grievances raised by various parties are dealt with and managed in accordance to our Commitment.

## **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 primary 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 Evolvment of ART plan) can be seen in Figure 3.

**Figure 3 : Transformation Activities Overview**



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

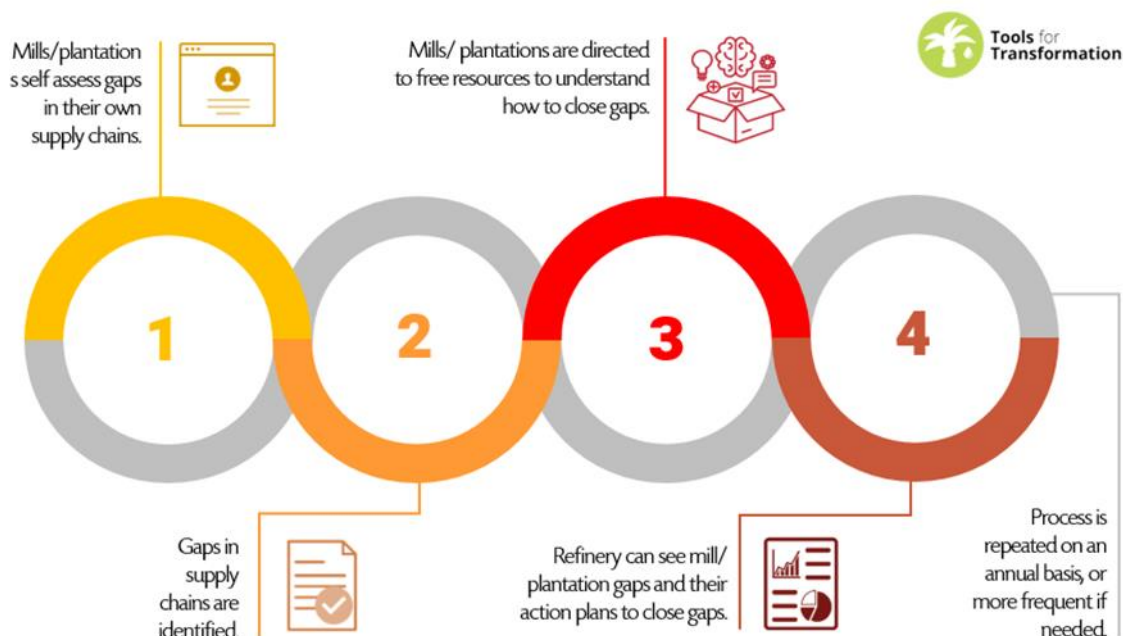
Fuji has been using the **Tools for Transformation Self-Assessment (T4T)** <sup>ii</sup> to scale up our transformation efforts and to help our palm oil suppliers to self-assess their practices while understanding where they stand against Fuji Oil Responsible Palm Oil Sourcing Policy requirements (No Deforestation, No Peat, No Exploitation). The tool is useful to both suppliers and us to understand the supplier’s current status versus **Fuji’s** Policy. Since 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. Supplier engagements has been conducted in accordance with the process in figure 4.

The uptake in assessments by mills and plantation have also increased since 2018 as shown in Figure 5 and this shows that our suppliers are equally committed to improve their practices. 19 entities have been completed the T4T assessment in FY 2020.

In H2 2020, Fuji’s suppliers, particularly from the Palmaju supply chain, have continued to show support in updating the Self-Assessment questionnaire by continuing to record and keeping track of their progress and gaps. This exercise has now been completed and the data will be aggregated to produce a final report on key findings to the users. With the addition of data from 2020, progress tracking over a 3-year period is now possible. We will continue to monitor, support and work together

to ensure our suppliers are consistently upholding the NDPE commitments are guided by in their daily operations and practices.

**Figure 4: Process of Tools for Transformation (T4T)**



**Figure 5: Total Number of Completed T4T Assessments for 2018-2020**

		FY 2018	FY 2019	FY 2020
Palmaju suppliers	Mill	7	8	7
	Plantation	5	10	5
Palmaju Indirect suppliers	Mill	0	14	12
	Plantation	0	11	0

**B. One on One engagements to implement “No Exploitation” commitments [LTP]**

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 Oil continued to intensify its efforts to engage with its key suppliers through one on one engagements to implement its “No Exploitation” commitments ; The **Labor Transformation**

**Programme (LTP)<sup>iii</sup>** addresses specific labor exploitation risks such as : contract management, wages & working hours, grievance mechanisms, freedom of movement, freedom of association, migrant worker’s 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 were planned for FY2020 with key entities within the Palmaju supply chain. The visits were expected to be carried out during the second half of the year, however the continued rise in the COVID cases across Malaysia has hindered the team from being able to complete the on ground visit and assessments.

The Fuji team has been in close communication with our suppliers and are currently looking at completing the visits through virtual engagements. The alternative method of engagements would enable assessments to be completed despite the restriction imposed due to the unprecedented developments we are all facing across the globe. Fuji and EF have developed a mechanism for the virtual assessment and this has now been trialed with one supplier, with encouraging results to pave the way for a 2<sup>nd</sup> supplier to follow shortly.

86% of direct suppliers and 25% of indirect suppliers in Palmaju supply chain have joined the LTP program. We will continue to make our best efforts to achieve our target, full implementation of working environment improvement program at all suppliers to core group company Palmaju Edible Oil (Malaysia) by 2025.

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

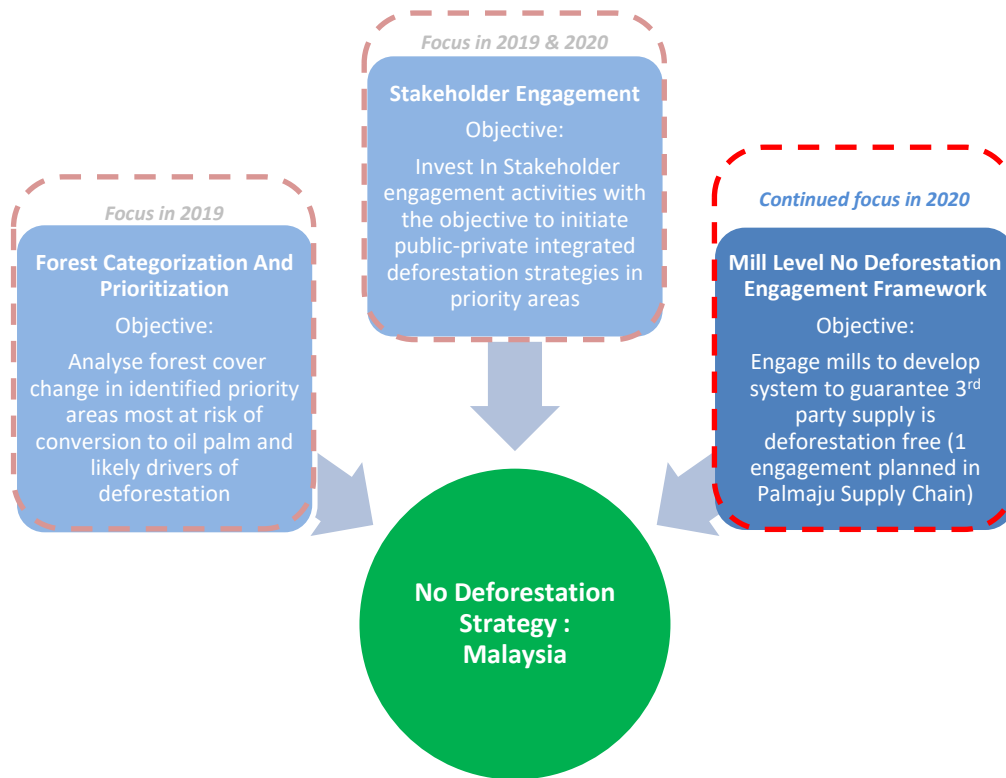
At **Fuji** we are guided by our Responsible Palm Oil Sourcing Policy and we are committed to ensure that our supply chain is free from deforestation and development on peatlands. In order to achieve this, we are collaborating with our sustainability partner and other industry players to shape a No Deforestation 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 2020, Fuji aimed to continue concentrated efforts with Mill Level No Deforestation Engagements to meet the goals of building better process for Traceability to Plantation.

**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 were scheduled however, as the COVID situation had not improved, the teams were only able to carry out one visit for the first site identified.

So far, the impact and take away from this engagement has been very helpful for both the visited mill and plantation as well as for Fuji and EF team in understanding the challenges faced by the different parties involved. The engagement was also an opportunity to build capacity for all parties involved

such as FFB dealers and smallholders.

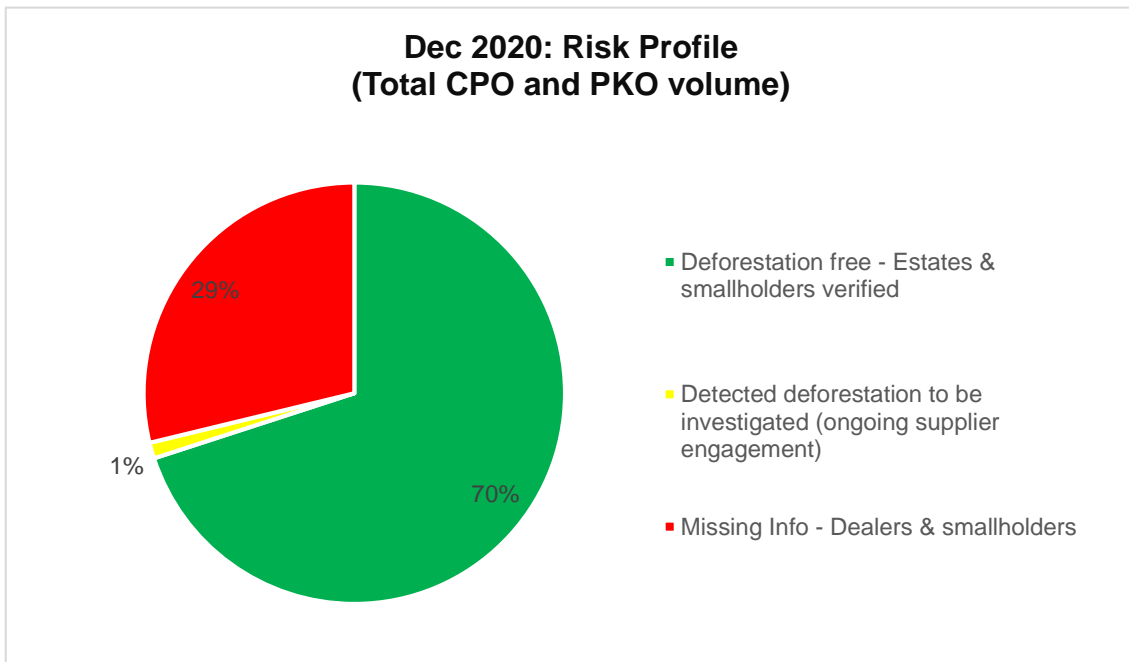
Through the visit and discussion, the dealers and plantation now have a better understanding of how to generate traceability to plantation (TTP) data and at the same time, to determine and verify any occurrence of deforestation and provide assurance that our supply chain is indeed free from Deforestation.

Moving forward and due to the impact of Covid 19 related travel restrictions, EF has proposed to develop a virtual engagement model. This concept will be trialed and implemented for the remaining activities of the year. The concept can be helpful for future engagements in light of the possibility that the situation on the ground will not improve due to the pandemic in 2021.

**Verified Deforestation Free performance:**

Through our collaboration with EF and other stakeholder, we have been able to determine that 70% of our supply chain (estates and smallholders included) in Peninsular Malaysia through our Palmaju refinery is Deforestation Free. Fuji is committed to continue to improve our TTP data to ensure we are able to verify and meet our 100% No Deforestation commitment.

**Figure 7: Palmaju Supply Chain Deforestation Monitoring & Verification Mapping**



**4.APT Landscapes Initiative – Indonesia** *[See Other Supplier activity in Figure 1]*

Almost 38% of Fuji’s supply comes from Indonesia and this remains a key sourcing supply for our

supply chain.

**Fuji** joined the **Areas for Priority Transformation (APT)<sup>iv</sup>** 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.

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

- Engaged with newly-appointed government leaders in key agencies in Aceh Tamiang, including the Regional Development Agency (Bappeda), alongside several other key landscape stakeholders and the local Manpower Agency (Dinas Tenaga Kerja) yielded full government support and agreement to conduct virtual labor trainings to help the local palm oil industry, local authorities, and local workers groups to collaboratively tackle sensitive labor issues, including but not limited to, Casual Workers and Unpaid Family Workers
- Helped vulnerable communities respond to the pandemic; the APT Coalition mobilized a large donation of personal protective equipment (PPE) and cleaning products in close partnership and coordination with the local government
- Confirmed decrease in the trend of deforestation in Aceh Tamiang and Southern Aceh (52% decrease of deforestation rate in Aceh Tamiang and 71% in Southern Aceh FY 2020 since 2016 as figure 8)
- Confirmed No Deforestation commitment from one of the most historically challenging companies in the Southern Aceh landscape
- Organized an intensive multi-stakeholder virtual training related to workforce issues, specifically on the matters of Casual workers and Unpaid Family Workers. The workshop, which furthers the Collective Action Plan (CAP) EF co-developed with the Aceh Tamiang government in 2019, reached 20 companies in the district

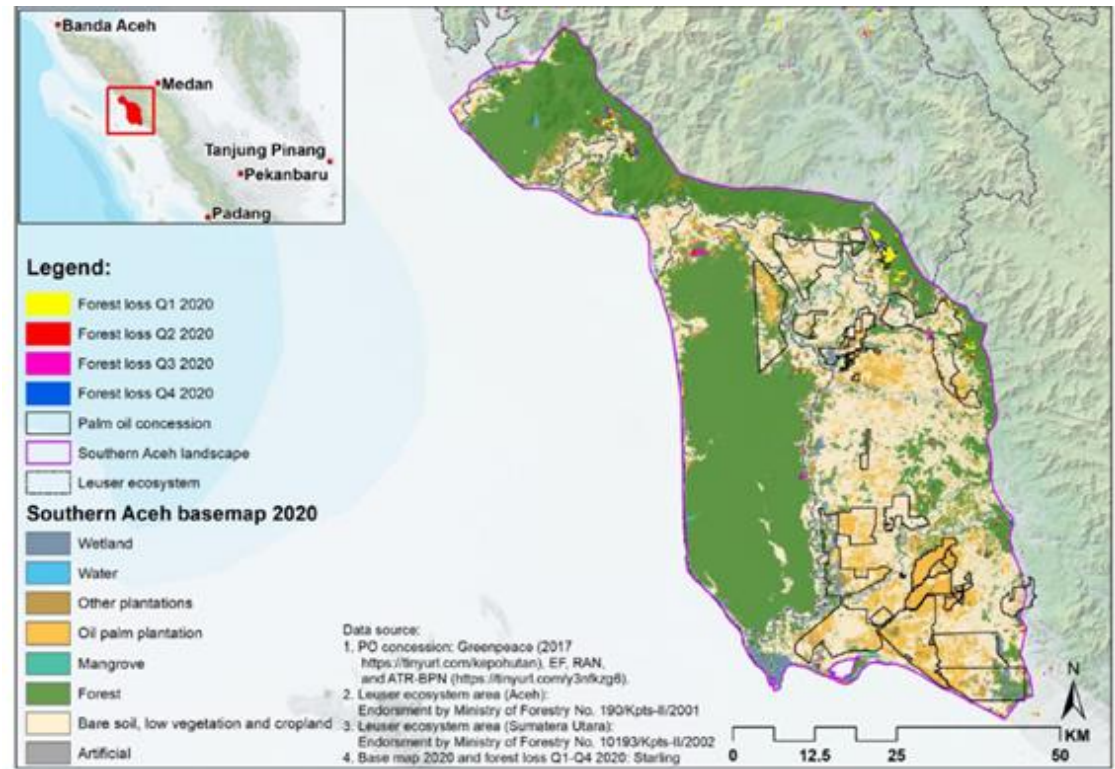
**Figure 8: Deforestation decreased since the onset of APT Programme**

Deforestation (Ha)	2016 Baseline	FY 2019	FY 2020	% Reduction
Aceh Tamiang	713	236	342	-52%
Southern Aceh	3807	1203	1104	-71%

Figure9: Location of Aceh Tamiang and Southern Aceh Landscape



Figure 10: Deforestation monitoring using satellite in Southern Aceh



### Next Steps

In 2021, Fuji will continue its efforts to uphold its Responsible Sourcing Policy. While working on the ground have been disrupted due to the unprecedented situation with the current Covid-19 pandemic, we will do our best to innovate to ensure our plans for the year are met.

**Fuji** is working hard to ensure that its responsible sourcing 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, year-on-year progress 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 for the year 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.

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<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> **Labor 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>