

**Progress Report on the Responsible
Palm Oil Sourcing Policy**
January 2022 - June 2022



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About the report

The Sustainability Report will include information on all projects and activities in place aimed at implementing NDPE. Additionally, it will describe the progresses of these activities on an annual basis. The Responsible Palm Oil Sourcing Policy Progress Report will be a mid-year update of the information included in the Sustainability Report. This update will provide 6-month key developments after the sustainability report's reporting period. This report focuses on new developments of traceability and supply chain improvement activities to promote NDPE, made since January 2022 to June 2022.

Activities to promote the Responsible Palm oil Sourcing policy.

1. Traceability
2. Transformation Activities for Palmaju Supply Chain
3. Procurement of certified palm oil
4. Grievance Mechanisms
5. Areas for Priority Transformation (APT)Landscape Initiative
6. Smallholder supporting project

The Fuji Oil Group Responsible Palm Oil Sourcing Policy

The 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 Development and No Exploitation (NDPE) policy for all palm oil production within our supply chain. <https://www.fujioilholdings.com/pdf/en/csr/sustainable/160310.pdf>

KPIs towards NDPE

To strongly promote the Responsible Palm Oil Policy, FUJI launched mid-to-long term KPIs in June 2020, as a milestone of our ambition.

1. Traceability to Plantation

- 100% by 2030

2. Labor Transformation Program (LTP) implementation rate

- 100% for all suppliers of Palmaju Edible Oil Sdn. Bhd. (Malaysia) by 2025
- 100% for all direct suppliers by 2030

progress

Table1. Results data

	FY2019 (January 2019 - end of December 2019)	FY2020 (January 2020 - end of December 2020)	FY2021 (January 2021 - end of December 2021)	As of June 2022 (January 2022 - end of June 2022)
Traceability	TTM* ¹ 100% TTP* ² 52%	TTM 100% TTP 71%	TTM 100% TTP 85%	TTM 100% TTP 88%
Labour Transformation Programme (LTP) implementation rate	-	10% of all Palmaju* ³ suppliers	27% of all Palmaju suppliers	Around 30% of all Palmaju suppliers will be completed in Q1 2023
Self-assessment Tools for Transformation (T4T)	Number of suppliers conducting assessments Direct suppliers of Palmaju Mill : 8 Plantations : 10 Indirect suppliers of Palmaju Mill : 14 Plantations : 11	Number of suppliers conducting assessments Direct suppliers of Palmaju Mill : 7 Plantations : 5 Indirect suppliers of Palmaju Mill : 10 Plantations : 0	Rate of self-assessment questionnaire and action plan submission Direct suppliers of Palmaju: 100% Indirect suppliers of Palmaju: 85% Plantations: From 24 plantations	All suppliers has responded the questionnaire by Dec 2022.
Verification of "No Deforestation"	-	70% of the Palmaju supply chain is not involved in deforestation.	83% of the Palmaju supply chain is not involved in deforestation.	87% of the Palmaju supply chain is not involved in deforestation.
RSPO certified oil handling ratio	24%	32%	41%	52%
Cumulative number of Grievance Acceptances	101 (May 2018 - end of March 2020)	228 (May 2018 - end of March 2021)	261 (May 2018 - end of March 2022)	259* ⁴ (May 2018 – end November 2022)
Land protection and restoration	-	-	8,060 ha	8,741.6 ha* ⁵

p e n s i a / A c h e M a l s a / S C F S	Farmer training	Number of people who received agricultural instruction : 245 workers	305 workers	268 workers	268 workers
	Land tenure and security	Number of villages involved in proactive land use planning : 5 villages	6 villages	8 villages	8 villages
	Conflict resolution systems	Number of villages with dispute resolution systems : 5 villages	6 villages	15 villages	15 villages
	Deforestation reduction	–	–	Baseline study	
	Farmer training	–	–	200 smallholders	181 smallholders
	Training of Human-wildlife conflict	–	–	200 smallholders	181 smallholders
Supporting small holders	Support for RSPo certification	Supported 306 smallholders in obtaining and maintaining new certifications. (January 2016 - December 2019)	<ul style="list-style-type: none"> Supported 117 smallholders in obtaining and maintaining new certifications. (June 2020 - May 2021) Cumulative support : 423 	<ul style="list-style-type: none"> Supported 280 smallholders in obtaining and maintaining new certifications. (June 2021 - May 2022) Cumulative support : 703 	Ongoing training for new/maintenance of certification after June 2022

progress

			farms (Since January 2016.)	farms (Since January 2016.)	
	Support for BIO Farming	-	Started supporting BIO farming. (From June 2020.)	-	Number of farms compliant with BIO farming methods (cumulative) : 20 farms (As of May 2022 .)

*1 TTM : Traceability To Mill

*2 TTP : Traceability To Plantation

*3 Palmaju : Palmaju Edible Oil Sdn. An oils and fats manufacturer wholly owned by the Fuji Oil Group

*4 Decreased due to removal of duplicates.

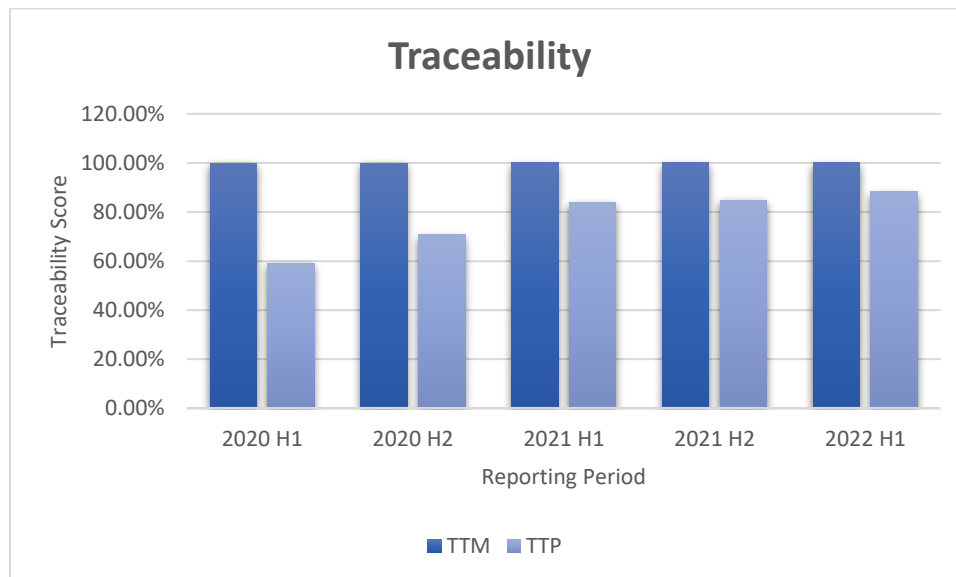
*5 cumulative total.

progress

1. Traceability

In the period of January 2022 to June 2022, the Fuji Oil Group is proud to announce that we have maintained a 100% score for our TTM. Meanwhile, our TTP score have improved to 88% from 84% and 59% for the same period in 2021 and 2020 respectively. In recent years, more palm oil companies have increased the disclosure of information such as traceability to the oil mills on their supply chain, oil mill list (mill list), and grievance list, etc.

Together with our partner we are working on a plan to engage traders and suppliers to continue improving our global traceability scores. We also remain committed to increase our TTP score across all our business units.



Graph1. Traceability result

progress

2. Transformation Activities for Palmaju Supply Chain

As part of the policy implementation strategy, we employ an Aggregator Refinery Transformation Plan (ART) for suppliers in the supply chain of Palmaju, which is our group's primary refinery in Malaysia. Since 2016, progress has been made to engage a range of partners in the supply chain, including refiners, millers and growers.

Our implementation strategy has evolved to now center around a number of specific transformation activities that are focused on prioritized needs in the supply chain. This report focuses on 3 main activities, namely A. Engagements to implement "No Exploitation" commitments (Labour Transformation Programme :LTP), B. Tools for Transformation (T4T) and C. Engagements to implement "No Deforestation" commitments.

A. Engagements to implement "No Exploitation" commitments (LTP)

During this period, Fuji Oil has started 2 additional engagements with our key suppliers within the Palmaju supply chain. One of the engagements are part of the 2020-2021 workplan which were put on hold due to the Covid-19 pandemic restrictions. Despite the Covid-19 challenges, we managed to complete the engagements through close communication with the suppliers. We have plan to start another two engagements which are scheduled for H2 2022. As of date, 27% of Palmaju suppliers have been engaged through LTP.

https://www.fujioilholdings.com/sustainability/palm_oil/

B. Tools for Transformation (T4T)

From 2021 exercise, we observed an increase on the numbers of suppliers who participate in the assessments. 100% of the direct suppliers and 85% indirect suppliers have taken part in the self-assessment exercise – this presents a significant improvement for indirect suppliers which stood at 52% in 2020.

In H1 2022, Fuji's suppliers from the Palmaju supply chain continued to share their progress and update through the T4T assessment. This exercise is currently in progress for 2022 and the report will help Fuji to monitor, provide support, and work together with our suppliers as part of our commitments towards NDPE.

https://www.fujioilholdings.com/sustainability/palm_oil/

progress

C. Engagements to implement “No Deforestation” commitments

As the Covid-19 situation and restrictions have improved in Malaysia, we managed to reconnect with 2 key suppliers and conducted our engagement in ensuring deforestation-free supplies of fresh fruit bunches (FFB). 87% of Palmaju supply chain has been successfully verified as deforestation free.

https://www.fujioilholdings.com/sustainability/palm_oil/

3. Procurement of certified palm oil

The Fuji Oil Group endorses the creation of a palm oil sustainable production and consumption system and has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2004. RSPO is the most widely recognized international certification system in the industry in producing Certified Sustainable Palm Oil (CSPO).

The Fuji Oil Group has been implementing the RSPO’s new Shared Responsibility rules and expanding the volume of CSPO we procure every year. In H1 2022, CSPO accounted for roughly 52% of the palm oil procured handled by the Group. Contributing significantly to this increase was a growth in demand corresponding with an expansion in the supplying capacity of UniFuji refinery (Malaysia), a joint venture with United Plantations Berhad. Going forward, we plan to step up efforts to meet more customer requests by deepening our partnership with strategic suppliers of Palmaju, also located in Malaysia, to increase the procurement of CSPO. *

* Check our progress at www.rspo.org/

progress

4. Grievance Mechanisms

In May 2018, the Fuji Oil Group established and launched our very first palm oil grievance mechanism as one of the very important pillars in implementing our Responsible Palm Oil Sourcing Policy. Our grievance mechanism set a platform for our stakeholders or any or interested party to raise to us if there is any grievance against Fuji Oil or our supply chain, regardless of human rights or environmental issues. We will engage our suppliers and take appropriate corrective action in accordance with our Responsible Palm Oil Sourcing Policy, after the raised grievance being validated.

Since FY2020, we have been partnering with Earthqualizer, a satellite company to support in our Palm supply chain deforestation monitoring. This partnership allows us to identify, monitor, address, and verify the deforestation that occurs in the Group's supply chain in Indonesia and Malaysia. The availability of the information allows us to explore solutions with suppliers and communicate more effectively with our valuable stakeholders.

Since early 2022, we are also working with Earthworm Foundation in improving our grievance management. Through this collaboration we received several case reports linked to our palm oil supply chains and raised the cases with our suppliers to ensure the grievances are addressed. We look forward to continuing monitoring each ongoing cases and addressing any issues raised within our supply chain as part of our NDPE commitment.

To-date, we have successfully registered 259 cases in our grievance log and about 80% of the cases are considered closed.

https://www.fujioilholdings.com/en/sustainability/grievance_mechanism/

progress

5. APT Landscape Initiative

* Aceh

Since 2018, Fuji Oil Group continues to support the Aceh Tamiang Landscape in Indonesia through Earthworm Foundation with the goal of reducing deforestation and demonstrating the viability of sustainable commodity production, conservation, and good social and labor practices on a large scale. Indonesia is a significant source in our supply chain, and we are committed to continuing our efforts in this landscape.

Despite some of the prolonged restrictions due to Covid-19 in previous year, during the H1 2022 period, Earthworm Foundation was able to continue its field work as there were no more government-imposed movement restrictions. Meaningful progresses were made in several areas although there was a slowdown in activities from mid-April to mid-May due to the observance of Ramadhan by our partners and main beneficiaries. The progress includes:

- Public consultation on the results of participatory land use planning (PLUP) in four villages and completed the mapping component of the PLUP in two additional villages.
- Assisted in the creation of draft village regulations in Bawan, Singgersing, and Pasir Belo villages that would incorporate the participatory land use plans into local law. These draft regulations, which outline the areas that should be protected based on the results of the public consultation on the PLUP, have been submitted to the Subulussalam district government's legal division for approval.
- Supported the community in Pasir Belo to implement a restoration plan on community-owned marginal land through the planting of various fruit trees.
- Facilitated the establishment of a Labor Working Group in collaboration with the Subulussalam district office of the Department of Manpower. One of the objectives of the Labor Working Group is to develop an action plan to address labor-related requirements and issues. EF and the Department of Manpower are also planning to facilitate collaboration between palm oil companies and labor unions.

progress



Dinner and dialogue with Subulussalam Government



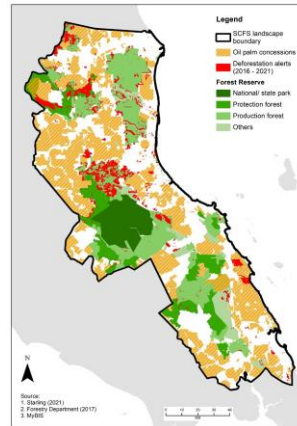
Animal corridor between timber plantations

5. APT Landscape Initiative (Peninsular Malaysia – South Central Forest Spine :SCFS)

The Fuji Oil Group has identified the Southern Central Forest Spine (SCFS) Landscape as another Area for Priority Transformation. Since early 2022, the Group has further supported the landscape initiatives through Earthworm Foundation with the goal of progress towards the NDPE (No Deforestation, No Peatland Development, No Exploitation) standard. The palm oil supply chain in the SCFS landscape is interconnected, and it is important to work with multiple stakeholders within the landscape to drive transformation related to TTP through dealer engagement, labor practices, and the coexistence of humans and wildlife. Key progress during H1 2022 includes:

- In collaboration with Fuji Oil Group, Malaysia Palm Oil Certification Council (MPOCC), and Malaysia Palm Oil Board (MPOB), Earthworm Foundation conducted dealers' traceability workshop with 20 dealers from Fuji supply chain in Johor, with the objective in closing the gaps of achieving 100% TTP.
- Through collaboration with the Ministry of Primary Industry and Commodities, 18 companies were reached to for a forced labour and child labour awareness.
- To date, 200 farmers from 3 villages have participated in programs such as best fertilizer management training as well as developing early elephant detection and warning system at the plantation to address their pressing challenges in plantation.

progress



Malaysia South Central Forest Spine (SCFS) project area



Dialogue with Malaysia Palm Oil Board on TTP collaboration



Visit to smallholder farm and facility

progress

6. Smallholder supporting project

Since January 2016, the Fuji Oil Group has worked with other companies in the Wild Asia Group Scheme (WAGS), a support organization for smallholders organized by the Malaysian social enterprise Wild Asia. Details of projects can be found in our Sustainability Report 2022.

In **Certification Project**, RSPO audit took place in March 2022, for the first time since the COVID-19 pandemic occurred. We are pleased to announce that not only existing certified smallholder could maintain their certification status, but also 229 smallholders newly got certification as a result of support by WAGS. The significant increase of new member of WAGS had made by field team's continuous engagements. The total number of smallholders that Fuji has been supported since 2016 reached 703, as of May 2022.

In **WAGS BIO Project**, total number of BIO farm, which fulfill criteria established by Wild Asia, reached 20 in Sabah, as of May 2022. Not only continuous engagement to optimize farmer's income and yield while reducing chemical inputs, but also new pilot initiative have been implemented to generate biochar by oil palm fronds to use it as input for soil health. 10 farms have participated the biochar pilot program. The team also compiling field data to analyze the impact of BIO farm method.



Wild Asia field officer is guiding and helping WAGS BIO farmer to do ginger intercropping



WAGS RSPO certified farmers



One of WAGS BIO workshops held at Kinabatangan

ANNOUNCEMENT

Upcoming Progress Updates:

Sustainability Report 2023 (H2 2023)

Responsible Palm Oil Sourcing Policy Progress Report (H1 2024)