

**Sustainability**

**Sustainable Procurement of Cacao**

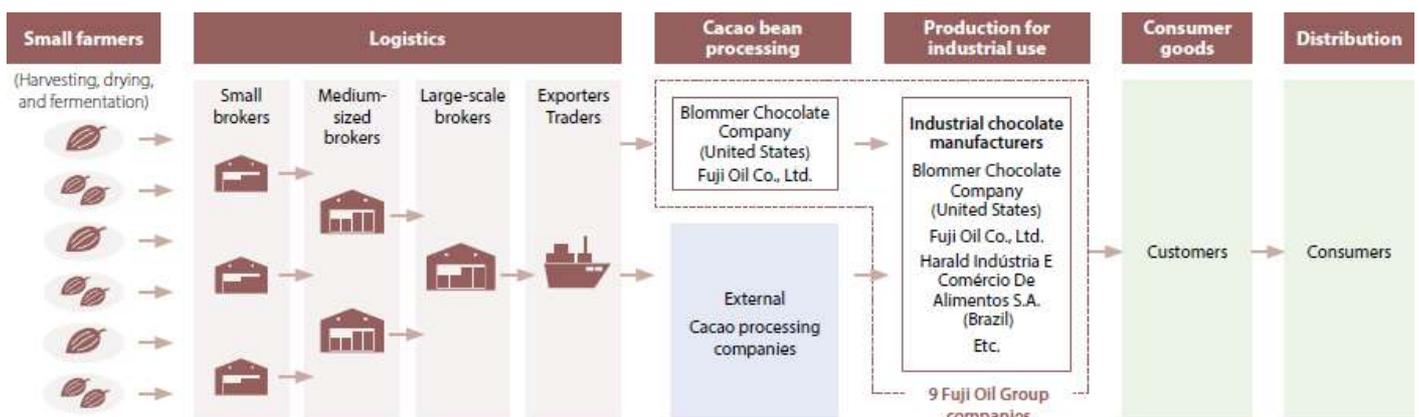
**Focus SDGs**



**Management information**

**Relation between themes and business activities**

The Fuji Oil Group uses cacao as a raw material for industrial chocolate supply. However, a future tightening of the supply-demand balance is expected due to supply-side problems, including farmers aging, farming abandonment, cacao trees aging, climate change impact, and low productivity resulting from lack of knowledge and materials in cacao production areas. Also, a complex web of human rights and environmental issues including poverty, child labor, forest destruction, and soil contamination have been identified among cacao farmers, who are mostly smallholders. Under these circumstances, we recognize that we can contribute to the sustainable procurement of cacao by supporting cacao farmers.



## Basic approach

The industrial chocolate business is one of Fuji Oil Group's core competences. Cacao-derived materials such as cocoa liquor\*, cocoa butter\*<sup>2</sup>, and cocoa powder\*<sup>3</sup> are among the key raw materials of the Group. In August 2018, the Group formulated the Fuji Oil Group Responsible Cacao Sourcing Policy to continue delivering the joys of food through products using sustainable cacao. The objective is to conduct sustainable cacao raw material sourcing based on this policy.

\* cocoa liquor: A term used in chocolate/cocoa production factories; cocoa liquor is made by removing the shells of cacao beans and grinding the nibs (inside the cacao beans) into a smooth, liquid state.

\*<sup>2</sup> cocoa butter: Vegetable oil obtained by pressing cacao beans

\*<sup>3</sup> cocoa powder: Dry powder made by grinding what is left after the cocoa butter has been removed from the cacao beans

- ▶ Responsible Cacao Sourcing Policy PDF (138KB) 

## Promotion system

We promote initiatives on cacao sustainable procurement under the supervision of the Chief Strategy Officer (CSO). Moreover, the ESG Committee\*, which is an advisory body to the Board of Directors, confirms the progress and results of these initiatives as a priority theme for ESG management.

\* Refer to the URL below for details of the ESG Committee.

- ▶ <https://www.fujioilholdings.com/en/csr/approach/>

## Objectives / Results

### FY 2019 objectives

- Increase the yield per area unit, for cacao farmers receiving support in Ecuador

### FY 2019 results

The FY 2019 results against the above objective are a 5% increase.

This is due to our efforts to support cacao farmers through agricultural technical assistance.

## Next Step

In June 2020, we set mid- to long-term goals to realize the Responsible Cacao Sourcing Policy. Based on these mid- to long-term goals, the Fuji Oil Group will work on sustainable cacao procurement through initiatives such as supporting farmers. In FY 2020, we plan to launch a new program for supporting cacao farmers toward the elimination of child labor in Ghana.

## Mid- to long-term goals

In August 2018, we established the Responsible Cacao Sourcing Policy and promoted activities to support cacao farmers. In January 2019, Blommer Chocolate Company (United States), a pioneer of sustainable cacao procurement with excellent know-how and experience in this field, joined the Fuji Oil Group. Through this, we were able to establish a strong system for realizing the Responsible Cacao Sourcing Policy in FY 2019. We also established the following new goals to promote sustainable cacao procurement through concerted efforts of the Group in or after FY 2020. When establishing these goals, we adopted the concept of backcasting from the future desired by the international community based on Target 8.7 of the SDGs.

- End the Worst Forms of Child Labor (WFCL) by 2025, as defined by ILO Convention, to eliminate child labor in the supply chain of cacao beans and cacao products by 2030
- Plant one million trees on cacao farms\* by 2030

\* Refer to the URL below for details of the mid- to long-term goals.

▶ [https://www.fujioilholdings.com/en/news/2020/1198318\\_2692.html](https://www.fujioilholdings.com/en/news/2020/1198318_2692.html)

\* Planting one million trees: We will plant shade trees and other trees on existing cacao farms to reduce negative impacts on forests and cacao farming practice, while coexisting with ecosystems. The Group will work on this initiative to contribute to the Cocoa & Forest Initiative led by the World Cocoa Foundation.

## Specific initiatives

### Community support program

#### Côte d'Ivoire

In Côte d'Ivoire, the world's largest producer of cacao, Blommer Chocolate Company (United States) developed several programs for the sustainable procurement of cacao. Specifically, it carried out the following initiatives targeting 72 agricultural cooperatives, 41,000 farmers, and 1,000 farming villages.

- Initiatives toward the elimination of child labor
- Support for improving the income level of farmers
- Programs for improving the social status of women
- Establishment of traceability
- Deforestation control and tree planting activities
- Support for building infrastructure (schools, hospitals, wells, etc.) in local communities

Since these initiatives contribute to the realization of our Sourcing Policy, we continued to promote them since Blommer Chocolate Company (United States) became a member of the Fuji Oil Group in 2019.

We will make group-wide efforts to further strengthen the initiatives, taking advantage of the experiences and techniques that have been built up by Blommer Chocolate Company (United States) over many years.

For the programs of the World Cocoa Foundation, in which Blommer Chocolate Company (United States) has participated, please see the section “Participation in the World Cocoa Foundation (WCF)” at the bottom of this page.

## Ghana

Ghana is one of the world's major producers of cacao beans. Since 2014, Fuji Oil Co., Ltd. uses part of the purchase cost of cacao beans to continuously provide community support along its supply chain in Ghana. In the communities receiving support, the Company constructed a well in 2014, and since 2016, it conducts research to improve yield. In 2018, it provided farming guidance based on the research results on yield improvement. In the yield-improvement research project, we selected a model plantation and measured yields of cacao cultivated under different conditions in the period between 2016 and 2018. The cacao yield at the model plantation from October to December 2017 increased by 18% compared to the same period a year earlier. Since February 2018, we provide farming guidance, including farm management methods and pesticide management methods, to local cacao farmers in the vicinity of the model plantation for the purpose of passing on the research results. In FY 2019, we examined a program for promoting environmental conservation in this community, and in FY 2020, we plan to conduct activities that will help to improve and expand infrastructure in the community.

In FY 2019, we began purchasing traceable cacao beans from Ghana in another community. Part of the purchase cost is returned to the community of cacao farmers that produced these cacao beans and is used to increase the income of farmers.



Farming guidance for local farmers

We will continue to support cacao producers with the objective of establishing a sustainable cacao production and consumption system.

## Ecuador

Based on the Responsible Cacao Sourcing Policy, in December 2018 we started activities to support smallholders in Ecuador, in collaboration with the Group's direct suppliers. Our objective is to improve the productivity and quality of cacao beans, and raise the living standards of farmers and communities by providing farming support and education. Currently, our direct suppliers provide training to 68 farmers on farm management methods, soil management, and post-harvest processes (fermentation, etc.). The quality of the cacao beans largely depends on soil management, production practices and post-harvest processes. In FY 2019, our farming program helped to increase the yield per area unit by 5%, at farmers receiving support. This is expected to increase farmers' income. We will also work to improve the quality of cacao beans by conducting flavor research on site.



Local farmers receiving technical guidance to make an organic insect repellent spray with a low burden on the soil and on cacao

## Collaboration with academia, government and industry

### Participation in the World Cocoa Foundation (WCF)

Fuji Oil Group is a member of the World Cocoa Foundation since 2012. The World Cocoa Foundation is a non-profit international membership organization whose vision is a sustainable and thriving cocoa sector – where farmers prosper, cocoa-growing communities are empowered, human rights are respected, and the environment is conserved.

Blommer Chocolate is a founding member of the World Cocoa Foundation and currently holds a seat on the WCF Board. Blommer has demonstrated a leadership role through participation in the WCF flagship programs, African Cocoa Initiative, Cocoa Livelihoods Program, Cocoa Action and the Cocoa and Forests Initiative. In response to the challenge of COVID-19, Blommer joined other industry members in financially contributing to a WCF fund that will provide needed education and supplies to cocoa growing communities in their fight against the virus.

\* Refer to the URL below for details of the World Cocoa Foundation.

▶ <https://www.worldcocoafoundation.org/> 

## The Commitment of World Cocoa Foundation



### WCF's Commitment

- Profit** Fair and sufficient economic profit for farmers
- People** Empowering farmers to make choices that help develop strong, prosperous cocoa communities
- Planet** Promoting sustainable production practices that maintain and increase biodiversity and crop diversification

## Responses to certified cacao products

### Handling of certified cacao raw materials

#### Fair Trade



INDUSTRIAL FOOD SERVICES (Australia), FUJI OIL EUROPE (Belgium) and Blommer (United States) obtained the Fairtrade certification, which aims at promoting sustainable development of small producers and workers in developing countries. The company produces and sells products made from Fairtrade-certified raw materials according to customer requests.

#### UTZ



The Fuji Oil Hannan Business Operations Complex and Kanto Plant (Japan), INDUSTRIAL FOOD SERVICES (Australia), WOODLANDS SUNNY FOODS (Singapore), FREYABADI INDOTAMA (Indonesia), FUJI OIL EUROPE (Belgium) and Blommer (United States) hold the UTZ certification, an international certification program for sustainable agriculture. The Fuji Oil Group will promote the acquisition of UTZ certification to meet customer demand.