

Sustainable Palm Oil Procurement



See Sustainability Report 2019 for more information about our sustainable procurement activities.
<https://www.fujioilholdings.com/en/csr/>

The Fuji Oil Group has pioneered a new food culture by continuously pursuing palm oil's potential as a key raw material. We consider aiming for sustainable procurement of palm oil to be our responsibility to society, and are promoting procurement according to our Responsible Palm Oil Sourcing Policy.

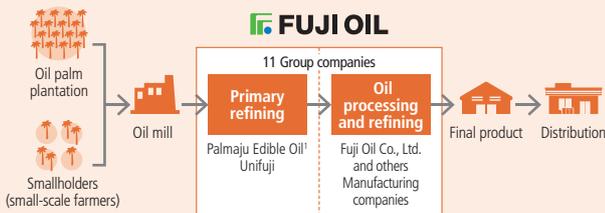
Social Issues Related to Palm

- Environmental issues caused by plantation development
- Human rights issues such as child labor and forced labor

What is palm oil?

- Oil that is extracted from the fruit of the oil palm, which grows in tropical regions such as Southeast Asia.
- Palm oil is easier to process and cheaper than other vegetable oils. For this reason, palm oil is used in a wide range of applications from foods to chemical products.
- Production volume of palm oil is the world's largest among vegetable oil materials.

The Palm Oil Supply Chain and the Fuji Oil Group



The Philosophy of the Fuji Oil Group

Responsible Palm Oil Sourcing Policy

(<https://www.fujioilholdings.com/en/csr/sustainable/>)

In March 2016, we formulated and announced the Responsible Palm Oil Sourcing Policy for the Fuji Oil Group. In this Policy, we commit ourselves to procuring palm oil produced in a responsible manner from suppliers who respect people and the global environment. We strive to conduct procurement in line with this Policy, in cooperation with our stakeholders.

Key Commitments

- No deforestation of High Conservation Value (HCV) or High Carbon Stock (HCS) areas
- No new peatland development
- No exploitation of indigenous peoples, communities or workers
- KPI: 100% traceability to oil mills by 2020

STEP 1 Understand the supply chain

Main initiatives	Goal	Results
Improve traceability	Understanding the supply chain	<ul style="list-style-type: none"> • July to December 2018: 99% traceability to oil mills • Published list of oil mills in supply chain to enhance traceability (June 2018)

STEP 2 Improve the supply chain through engagement with suppliers and reduce risks

Supply chain improvement activities at Palmaju (1)	Reduce risks in supply chain	<ul style="list-style-type: none"> • Worked with suppliers to return passports to over 200 migrant workers at raw material suppliers in the supply chain (December 2017) • Conduct seminars and provide information about making improvements through self-assessments to direct suppliers (oil mills) (From 2017) 	
Engagement with suppliers		<ul style="list-style-type: none"> • Engage with all direct suppliers (oil mills) through self-assessments (From 2018) • Help small farmers in Sabah, Malaysia acquire RSPO² certification (191 to date) (From 2016) 	
(2) Grievance mechanism	Receive complaints and improve supply chain	<ul style="list-style-type: none"> • Set up grievance mechanism (From May 2018) • Publish grievances (From May 2018) 	Highlight

STEP 3 Sustainable palm oil production and market expansion

Unifuji	Strengthen supply system of sustainable palm oil products	<ul style="list-style-type: none"> • Start production (From 2018) 	Highlight
Supply RSPO-certified oil	Address oil certification process	<ul style="list-style-type: none"> • RSPO-certified oil accounts for 17% of the total palm oil handled by the Group (FY 2018) 	
Cooperation with academic institutions and others in the industry	Accelerate efforts through cooperation	<ul style="list-style-type: none"> • Participate in joint research aimed at enhancing productivity and improving the quality of palm oil conducted by an Indonesian research institution (Agency for the Assessment and Application of Technology) (From 2011) • Membership in The Consumer Goods Forum³ (Japan) • Provide information concerning sustainable palm oil to domestic customers and others 	

Notes: 1. The Group's primary refining company (Malaysia)
 2. Roundtable on Sustainable Palm Oil
 3. A global network for the consumer goods retailing and manufacturing industries

Highlight

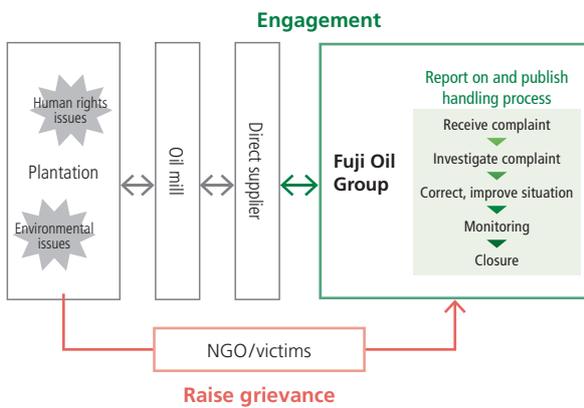
Operation of Grievance Mechanism

In May 2018, we established and announced a grievance mechanism in accordance with our Responsible Palm Oil Sourcing Policy. It is a mechanism for addressing problems and making improvements to environmental and human rights issues in the supply chain raised with the Fuji Oil Group by stakeholders based on the Responsible Palm Oil Sourcing

Policy. For transparency in dealing with grievances, we have set up the Fuji Oil Group grievance mechanism on the Group website. We work to disclose information to stakeholders, and the progress of initiatives is updated at least once every three months.

(https://www.fujioilholdings.com/en/csr/grievance_mechanism/)

Grievance Mechanism



Results

Of the 23 cases investigated since May 2018, six have been closed (as of May 31, 2019). Efforts to resolve the remaining grievances are underway in cooperation with suppliers.

See the latest Grievance List on the website for details.

Example of Response

Grievance	Response from Company
Demand for response to deforestation and human rights issues in "company A"	We confirmed the existence of an indirect connection in the supply chain. Since "company A" showed no sign of improvement, we requested the supplier to stop transactions with them. Transactions were stopped as of September 2018.

Unifuji Begins Operations

Unifuji Sdn. Bhd. is a joint venture with United Plantations Bhd., which shares our mission to ensure sustainable procurement of palm oil. Unifuji secures high-quality and sustainably produced palm oil as a raw material from United Plantations farms and produces high-value-added palm oil products for sale, based on our fractionation technology,

which is one of our strengths. Unifuji began operations in 2018. It will support business growth for the entire Group by making major contributions to the promotion of sustainable procurement of palm oil and the responsible supply of products to customers, which is positioned as a crucial component of the Group's business strategy.



Unifuji is located on United Plantation's vast oil palm farm.



The plantation has a school and a hospital on premises.



A railway network on the plantation ensures quality and traceability.

