

Management information

Relevance to our business

The Fuji Oil Group's industrial chocolate business purchases cocoa-derived raw materials such as cocoa beans, cocoa liquor,^{*1} cocoa butter,^{*2} and cocoa powder^{*3} as key raw materials, and uses them to produce chocolate products.

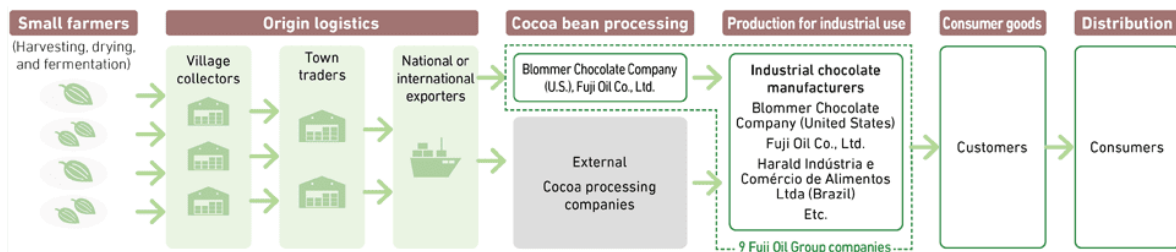
Small farmers make up the majority of producers in major cocoa-producing countries such as Côte d'Ivoire, Ghana and Ecuador, giving rise to a complex web of social issues. These include poverty and, linked to this, the challenges of children's education and child labor, climate change impacts, low productivity due to lack of knowledge and supplies, and the clearing of forests to make more room for farming. Addressing these issues requires a multifaceted approach, which includes agricultural land improvement, women's empowerment, ensuring access to education, reforestation and ending child labor.

By supporting cocoa farmers, we promote respect for human rights and eliminate poverty of producers, as well as encourage the protection of resources in cocoa-producing regions, in order to develop the cocoa supply chain and contribute to the sustainable procurement of cocoa.

*1 Cocoa liquor: Made by removing the shells of cocoa beans and grinding the nibs (inside the cocoa beans) into a smooth, liquid state

*2 Cocoa butter: Vegetable oil obtained by pressing cocoa beans

*3 Cocoa powder: Dry powder made by grinding what is left after the cocoa butter has been removed from the cocoa beans



Basic approach

In August 2018, the Fuji Oil Group formulated the Responsible Cocoa Beans Sourcing Policy. In 2020, we set medium- to long-term goals and KPIs to realize the sustainable procurement of cocoa beans.

Moving forward, we will work on raising farmers' income, ending child labor, restoring forests, and improving supply chain transparency by strengthening traceability.

> [Responsible Cocoa Beans Sourcing Policy \(PDF, 79KB\)](#)

Management system

The Chief Strategy Officer (CSO) oversees initiatives in this area.

The Sustainability Committee,^{*1} an advisory body to the Board of Directors, monitors the progress and results of initiatives as a material ESG issue.^{*2}

*1 Follow the link below to learn more about the Sustainability Committee.

> https://www.fujioilholdings.com/en/sustainability/sustainability_management/

*2 Follow the link below to learn more about material ESG issues.

> <https://www.fujioilholdings.com/en/sustainability/materiality/>

Goals / Results

○ At least 90% complete △ At least 60% complete ✕ Less than 60% complete

Medium- to long-term goals	KPI		FY2021 Goals	FY2021 Results	Self-assessment
	2030	2025			
Reforestation, elimination of child labor	One million trees planted*1	500,000 trees planted	Plant 100,000 trees in cocoa-growing regions of Ghana	100,000 trees planted in western Ghana	○
	Elimination of child labor	No worst forms of child labor*2	Increase transparency by mapping cocoa farmers using their GPS location	Conducted GPS mapping at 87% of cocoa farms that are direct suppliers of Blommer Chocolate Company (U.S.)	△
			Conduct support program for 1,250 cocoa farming families in Ghana*3	Conducted support program for 1,250 farms	○
			Begin gathering information on the family conditions of farmers participating in the program in Ghana, to prepare for child labor monitoring	<ul style="list-style-type: none"> Conducted surveys of 1,200 households in the Group's supply chain, from among 31 communities covered by the support program in Ghana Provided education against hazardous child labor and the worst forms of child labor Followed up and monitored farms suspected of conducting hazardous work 	○
		Provide farming assistance by introducing GAP*4 and market the beans produced in the program to Japan and the U.S.	<ul style="list-style-type: none"> Introduced GAP to supply chain directly involved with Blommer Chocolate Company (U.S.) Provided guidance by experts on pruning, controlling pod maturity, and managing disease, soil and sunlight to farms that have adopted GAP in the supply chain 	○	

*1 We plan to plant a variety of shade tree saplings, totaling one million trees over a 10-year period from 2021 through 2030.

*2 The International Labour Organization (ILO) Convention No. 182, known as the Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, prohibits hazardous work that may harm the health, safety, or morals of children. This includes the sale and trafficking of children, debt bondage, forced or compulsory labor, prostitution and pornography, illegal activities such as crime, and recruitment of children for use in armed conflict.

*3 There was an error in a number in the Sustainability Report 2021. In its Next Step section, we stated that the total number of farming families to be covered by the program is 2,350; the correct number is 1,250. Hence, we revised our FY2021 goal to "Conduct support program for 1,250 cocoa farming families in Ghana."

*4 Good Agricultural Practices

Analysis

To implement the Responsible Cocoa Beans Sourcing Policy, in June 2020, we set KPIs and determined a direction for our efforts over the next 10 years. Blommer Chocolate Company (U.S.), which became a member of the Fuji Oil Group in 2019, played a major role in this. In its long history of supporting cocoa-producing regions, the company had taken the lead through the World Cocoa Foundation's*1 Cocoa & Forests Initiative,*2 which helped us ensure smooth operations of activities. In addition, the company's Sustainable Origins™ program has been expanding through the years, with a new opening in Ghana in 2021.

We will continue collaborating closely with our customers, suppliers, certification bodies and international organizations to develop programs and initiatives in line with the Group's sourcing policy.

*1 Follow the link below to learn more about the World Cocoa Foundation.

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

*2 Follow the link below to learn more about the Cocoa & Forests Initiative.

> <https://www.worldcocoafoundation.org/press-release/cocoa-forests-initiative-reports-progress-despite-challenging-year/>

Next step

Crucial elements of our initiatives for sustainable procurement of cocoa include raising the income of farmers, protecting children, providing educational opportunities to women working in cocoa farms, and conserving and regenerating forests. To address these issues, we set the following goals for FY2022.

- Complete GPS mapping of 90% of farms for direct procurement and improve traceability
- Implement a survey related to Child Labour Monitoring and Remediation System (CLMRS) for 90% or more of farms for direct procurement
- Implement comprehensive community development to support women's empowerment at 1,000 farms in 39 communities in the Group's supply chain
- Provide GAP training and/or coaching to farms for direct procurement
- Select partners for continuing initiative to plant one million trees

Specific initiatives

Solution-based approaches to implementing the Responsible Cocoa Beans Sourcing Policy

Social issue	Solution-based approach	Location/scope
Global environment	Restore forests by planting trees in plantations and surrounding areas	Worldwide (especially Ghana, Côte d'Ivoire)
Human rights	Introduce CLMRS and provide educational opportunities to children	West Africa (Ghana, Côte d'Ivoire)
Global environment and human rights	Implement community development program	West Africa (Ghana, Côte d'Ivoire)

Traceability

Improving traceability across the supply chain is critical to addressing social issues in the cocoa supply chain. Blommer Chocolate Company (U.S.) is in the process of creating GPS maps and entering information of all cocoa farmers that they are directly involved with in the supply chain for cocoa beans. To check the effectiveness of the initiative, the company constantly monitors their status and assesses their impact. Communities that act as suppliers for the company are audited annually by certification bodies and third-party auditing organizations.

Introducing CLMRS and providing educational opportunities to children

The Fuji Oil Group is working to end child labor — a significant human rights issue in the cocoa industry.

In major cocoa-producing countries, farms face several challenges that can lead to child labor, including poverty, lack of community infrastructure such as schools and health centers, and lack of farm workers, each of which has to be addressed appropriately. The Group focuses on creating an environment to prevent child labor and on developing a mechanism to remediate any violations of children's rights along the supply chain.

To identify the causal factors of child labor and be informed of potential violations, we set up the Child Labour Monitoring and Remediation System (CLMRS) on a cooperative level at all villages where Blommer Chocolate Company (U.S.) procures cocoa beans. Community agents who monitor and carry out remediation measures are trained on child protection and household surveys. They identify endangered children and reveal high-risk communities, as well as suggest action plans to remediate issues at the family level or throughout the community.

Initiatives on traceability,^{*1} supporting cocoa farmers,^{*2} women's empowerment,^{*3} and environmental conservation^{*4} also help significantly in preventing and remediating child labor.

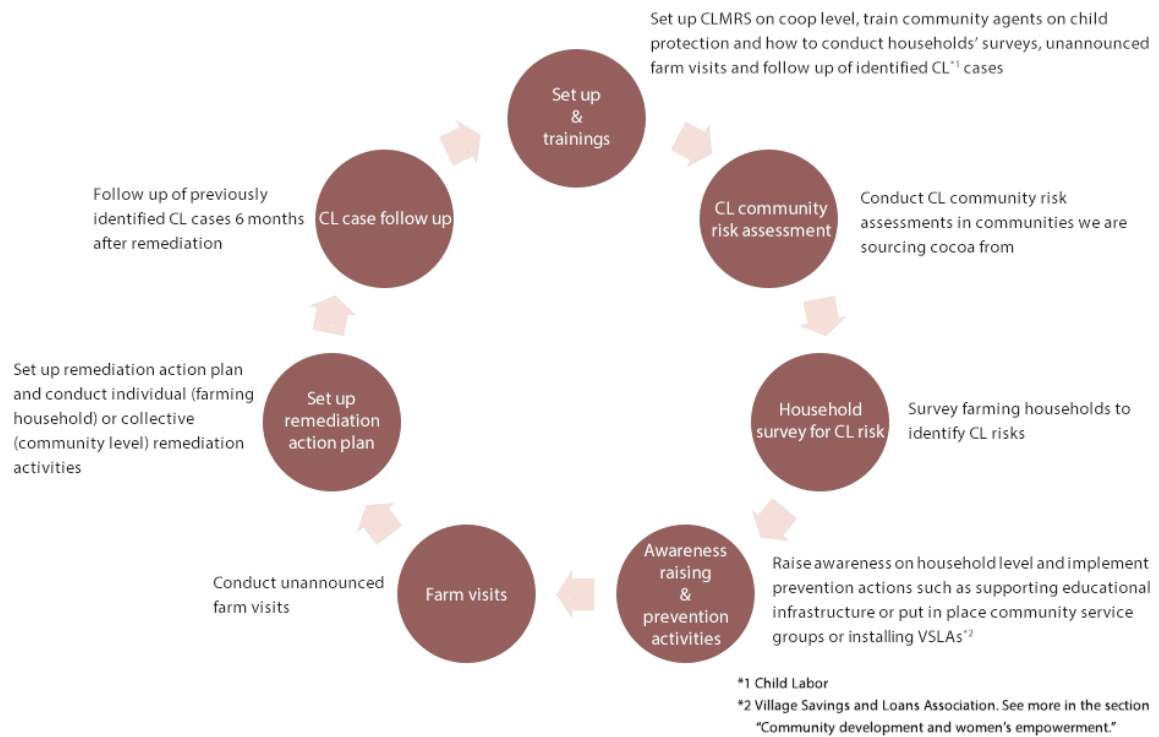
*1 See the section "Traceability."

*2 See the section "Supporting cocoa farmers."

*3 See the section "Community development and women's empowerment."

*4 See the section "Conserving and restoring forests by planting trees."

CLMRS (Child Labour Monitoring & Remediation System)



Supporting cocoa farmers

The Fuji Oil Group directly supports cocoa farms in Côte d'Ivoire (since 2004), Ghana (since 2014) and Ecuador (since 2018). By supporting cocoa cultivation in line with Good Agricultural Practices (GAP) and climate change, we work to improve issues across the supply chain of the cocoa beans procured by the Group. Although there are major issues such as pests, diseases and changes in climate patterns, we anticipate that the complete adoption of GAP will increase cocoa yields and lead to higher farm incomes.

Farmers and communities who participate in the program receive a premium (financial aid) for the cocoa covered by this initiative, leading to higher household incomes. Premiums are also paid as compensation for the additional work required to comply with the Group's internal and third-party standards, which also helps strengthen the supply chain. Premiums given in the past were used to benefit the entire cocoa farm community through the construction and repair of classrooms, school cafeterias and water pumps, among others.

Community development and women's empowerment

The Fuji Oil Group believes that to realize sustainable procurement, it is important to meet the needs, not only of cocoa farmers, but also of the local communities in the sourcing regions. We develop the social infrastructure, such as schools, health centers, maternity hospitals and access to safe water at cocoa-producing communities.

We recognize the huge role that women play in ensuring food security and access to nutrition, education and health in cocoa-producing communities and their families. Our community development projects in Ghana and Côte d'Ivoire focus on creating economic opportunities for women and empowering women in the communities. As part of these efforts, we offer literacy training courses for women and established a village savings and loans association (VSLA). The VSLA is a women-based, self-managed group that makes savings, loans and other capacity development opportunities available to its members. It is a system that allows women to save money, earn interest, and finance working capital. It can be used to invest in existing or new micro-businesses, to fund children's education, or to fund income generating activities. Initiatives based on this concept have been gaining ground.

Conserving and restoring forests by planting trees

The Fuji Oil Group partnered with the U.S. non-profit One Tree Planted and planted 100,000 shade trees of different varieties on cocoa plantations and surrounding areas in Ghana in 2021. This region has lost biodiversity due to widespread deforestation. Local communities and small farmers are also affected by an increased frequency of floods and droughts caused by the intensifying climate change. The project aims to reshape the forest canopy in buffer zones of forest reserves, which will help maintain the forest environment and ecosystem. By distributing a variety of saplings to cocoa farmers and encouraging them to plant trees in the region, we are helping protect the cocoa trees and improve soil health on agricultural lands. Cocoa farmers will also be able to earn a profit by selling the fruits and spices they harvest from the planted trees. Also known as agroforestry, this practice can contribute to better livelihoods for farmers.

Participation in the World Cocoa Foundation (WCF)

Fuji Oil Group is a member of the World Cocoa Foundation since February 2012. The World Cocoa Foundation is a non-profit international 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 Company (U.S.) is a founding member of the World Cocoa Foundation and currently holds a seat on the WCF Board. The company has demonstrated a leadership role through participation in the WCF flagship programs, such as African Cocoa Initiative, Cocoa Livelihoods Program, Cocoa Action, and the Cocoa and Forests Initiative.



Handling of certified cocoa-derived raw materials

Fairtrade

Industrial Food Services (Australia), Fuji Oil Europe (Belgium) and Blommer Chocolate Company (U.S.) obtained the Fairtrade International certification, which aims at promoting sustainable development of small producers and workers in developing countries. These companies of the Fuji Oil Group offer Fairtrade certified products for your manufacturing needs.



Fair Trade USA

Blommer Chocolate Company (U.S.) has obtained the Fair Trade USA certification.



Rainforest Alliance Certification

UTZ and Rainforest Alliance merged in 2018 with the goal of creating a better future for people and nature. The UTZ certification program is now part of the Rainforest Alliance. Although both certification programs have been running in parallel, a new Rainforest Alliance 2020 Certification Program was developed and launched in 2021. The Fuji Oil Hannan Business Operations Complex and Kanto Plant (Japan), Industrial Food Services (Australia), PT. Freyabadi Indotama (Indonesia), Freyabadi (Thailand) Co., Ltd. (Thailand), Fuji Oil Europe (Belgium), Blommer Chocolate Company (U.S.), Blommer Chocolate Manufacturing (Shanghai) Company Ltd. (China) and Fuji Oil (Zhang Jia Gang) Co., Ltd. (China) are shifting to the new certification program. Going forward, we will continue to work to meet the demands of our customers.



* Follow the link below for more about Rainforest Alliance Certification.

> <https://www.rainforest-alliance.org/>