

# Risks

Item	Details	Financial impact	Assessment of financial impact around 2050						
			1.5°C scenario			4°C scenario			
			Details			Details			
Policy & regulations	Risk of increased cost of complying with environmental regulations	Increased cost due to adoption of carbon taxes	Environmental regulations around the world are tightened to address climate change, and costs increase due to the following factors.			Compared to the 1.5°C scenario, environmental regulations for addressing climate change are not tightened as much and carbon taxes are smaller. However, carbon taxes may be levied in countries where Group companies are located, resulting in increased costs.			
			<ul style="list-style-type: none"> <li>Introduction of carbon taxes, carbon border adjustment mechanisms (CBAM), emissions trading systems (ETS) and other schemes in countries where Group companies are located.</li> <li>Capital investment and depreciation of existing assets for reducing greenhouse gas emissions, including replacing gasoline, diesel, and other fossil fuels used in logistics vehicles and fossil fuels used for electricity and for boiler operation in certain production processes with renewable energy sources.</li> </ul>						
			Time of onset	Duration of impacts	Impact level	Time of onset	Duration of impacts	Impact level	
			Within 5 years	Longer than 10 years	4.9 billion yen <sup>*1</sup>	Within 10 years	Longer than 10 years	0.6 billion yen <sup>*1</sup>	
<b>Response approach</b> <ul style="list-style-type: none"> <li>Comply with CO<sub>2</sub> emissions reduction targets by promoting Environmental Vision 2030</li> <li>For CO<sub>2</sub> emissions reduction, we have set a 40% reduction of Scopes 1<sup>2</sup> and 2<sup>3</sup> emissions and an 18% reduction of Scope 3<sup>4</sup> (Category 1<sup>5</sup>) emissions as 2030 targets (base year: 2016).</li> <li>To achieve Environmental Vision 2030, we will actively work on energy conservation initiatives, adopt new facilities that use less energy, and use renewable energy at production sites. We will also improve the accuracy of our Scope 3 emissions data, devise ways to reduce the large volume of Category 1 emissions, and conduct briefings and information campaigns within the Group to achieve our SBT-approved targets, in order to promote further reduction of CO<sub>2</sub> emissions throughout the Group.</li> <li>Full-scale/pilot introduction of internal carbon pricing<sup>*6</sup></li> <li>We are moving to a full-scale introduction in FY2023 with the internal carbon price set at 10,000 yen per metric ton of CO<sub>2</sub>, and plan to use it as a reference for investment decision-making. We also plan to pilot the system at Group companies around the world.</li> </ul>									
Transition risks	Reputation	Risks associated with deforestation and parkland/peatland loss in our supply chain	Increased cost associated with supplier engagement and lost sales due to suspended transactions from major customers	Costs will increase and sales will decline due to the following risks associated with deforestation and loss of parkland/peatland in the supply chain of the Group's major raw materials (palm oil, cocoa, soybeans, shea kernel, etc.).			Compared to the 1.5°C scenario, increased cost associated with strengthening supplier engagement is limited. While the Group makes advances as necessary in purchasing raw materials from suppliers that are implementing appropriate environmental conservation based on the Group's sustainable sourcing policies, society makes little progress in sustainability awareness and has a high tolerance of climate change, reducing the Group's need to strengthen supplier engagement on its own.		
				<ul style="list-style-type: none"> <li>Increased cost associated with strengthening engagement with suppliers to ensure that deforestation and parkland loss, which increase atmospheric CO<sub>2</sub> concentrations and exacerbate climate change, do not occur.</li> <li>Greater understanding of sustainability in society drives the introduction of stricter environmental regulations and increases public awareness of the need for action to conserve the environment. The Group faces criticism and damage to its reputation when deforestation and parkland loss occur in its supply chain, leading to the suspension of transactions from major customers.</li> </ul>					
				Time of onset	Duration of impacts	Impact level	Time of onset	Duration of impacts	Impact level
			Within 5 years	Longer than 10 years	Medium	At least 11 years from now	Longer than 10 years	Small	
<b>Response approach</b> <ul style="list-style-type: none"> <li>Strengthen efforts to prevent or mitigate environmental risks in the supply chain based on the Group's sourcing policies</li> <li>For palm oil, we will improve traceability with the aim of achieving 100% traceability to palm oil mills and 100% traceability to plantations, as well as promote efforts that improve the supply chain with the aim of solving environmental problems at palm oil production sites (plantations), based on our medium- to long-term goals for sustainable procurement of palm oil. Our aim is to achieve No Deforestation, No Peatland Development, and No Exploitation (NDPE) as stated in the Group's Responsible Palm Oil Sourcing Policy.</li> <li>For cocoa, we will plant one million trees on cocoa-growing regions by 2030 to promote efforts that reduce the negative impact on forests, based on our medium- to long-term goals for sustainable procurement of cocoa. Our aim is to achieve sustainable cocoa procurement as stated in the Group's Responsible Cocoa Beans Sourcing Policy.</li> <li>For soybeans, we are working to achieve traceability to the community level, No Deforestation and No Exploitation, and 100% procurement of RTRS (Round Table on Responsible Soy Association)-certified products or products certified to equivalent standards.</li> <li>For shea kernels, we are working to plant 6,000 trees per year and achieve 75% traceability to the regional level, with the goals of conserving forest and supporting women's empowerment.</li> <li>Supplier Code of Conduct</li> <li>We developed a Supplier Code of Conduct to serve as a high-level policy to existing guidelines and policies for communicating the Group's overall approach to procurement to all suppliers. The code urges suppliers to comply with a list of basic principles (e.g., environmental conservation) and to devise preventive and remedial measures for identifying code violations and making improvements.</li> </ul>									
Physical risks	Acute risks	Risk of more severe natural disasters due to extreme weather	Losses incurred by Group companies from storms and floods	More frequent and intense storms and floods cause damage and suspend operations at Group companies, such as Fuji Oil Co., Ltd. in Japan, which is prone to typhoon damage, and Fuji Vegetable Oil, with plants in Savannah, Georgia, U.S., which are prone to hurricane damage.			Storms and floods of even greater frequency and intensity than in the 1.5°C scenario cause greater devastation and suspend operations at Group companies, such as Fuji Oil Co., Ltd. in Japan, which is prone to typhoon damage, and Fuji Vegetable Oil, with plants in Savannah, Georgia, U.S., which are prone to hurricane damage.		
				Time of onset	Duration of impacts	Impact level	Time of onset	Duration of impacts	Impact level
							At least 11 years from now	Longer than 10 years	Medium
<b>Response approach</b> <ul style="list-style-type: none"> <li>Formulate a BCP incorporating a framework that leverages complementary strengths throughout the Group, prepare a response manual in the event of a crisis, and encourage risk transfer through the use of insurance</li> </ul>									
Physical risks	Chronic risks	Risk of global shortages of major raw materials and soaring prices	Sales decline due to decrease in procurable volume of major raw materials	The following factors cause a decline in yields and supply shortages of major raw materials procured by the Group (palm oil, cocoa, soybeans, shea kernel, etc.), making it impossible to procure some of the raw materials needed, disrupting the manufacture of Group products, and causing a decline in sales.			The following factors cause a major decline in yields and major supply shortages of major raw materials procured by the Group (palm oil, cocoa, soybeans, shea kernel, etc.), making it impossible to procure most of the raw materials needed, significantly disrupting the manufacture of Group products, and causing a dramatic decline in sales.		
				<ul style="list-style-type: none"> <li>Impacts from extreme weather events (heat waves, droughts, increased annual precipitation, rainstorms, etc.) and natural disasters</li> <li>Increased demand caused by global population growth</li> <li>The spread of SDG values in society drives greater restrictions on forest conversion and the introduction of new agricultural methods such as regenerative agriculture, limiting the amount of farmland to a level that cannot meet the needs of a larger global population.</li> </ul>			<ul style="list-style-type: none"> <li>Impacts from extreme weather events (heat waves, droughts, increased annual precipitation, rainstorms, etc.) and natural disasters exceeding those in the 1.5°C scenario</li> <li>The rise in the average global temperature shifts the location of arable lands and reduces the amount of land suitable for cultivating the Group's major raw materials.</li> <li>Increased demand caused by global population growth</li> </ul>		
				Time of onset	Duration of impacts	Impact level	Time of onset	Duration of impacts	Impact level
			Within 10 years	Longer than 10 years	Small	At least 11 years from now	Longer than 10 years	Medium	
<b>Response approach</b> <ul style="list-style-type: none"> <li>Improve sustainability of raw material procurement and strengthen supply sources</li> <li>Continue with our supplier engagement</li> <li>Carry out our programs on farming guidance and agricultural support to improve productivity, such as by improving unit crop yields of farmers</li> <li>Diversify our raw materials</li> <li>Encourage boosting productivity through breeding research, in collaboration with academic institutions, governments, and industries</li> </ul>									

\*1 The level of financial impact of "increased cost due to adoption of carbon taxes" associated with "risk of increased cost of complying with environmental regulations" was calculated for around the year 2030 based on carbon tax projections published by the IEA, IPCC, and other third-party entities and on projections of the Group's CO<sub>2</sub> emissions.

\*2 Scope 1: Direct emissions of greenhouse gases from our own operations

\*3 Scope 2: Indirect emissions of greenhouse gases from the use of electricity, heat and steam supplied by third parties

\*4 Scope 3: Emissions from the activities of non-Group companies in our value chain (Categories 1–15)

\*5 Category 1: Purchased goods and services

\*6 An internal scheme for promoting low-carbon investment and initiatives by placing a price on carbon based on estimates conducted within the organization.