

# Initiatives to Address Climate Change and Procurement Risks

September 21, 2021

**Director and  
Senior Executive Officer  
Chief “ESG” Officer  
(C“ESG”O) Takashi Kadota**

- 1. Fuji Oil Group and Materiality**
2. Approaches to Climate Change Risks
3. Approaches to Procurement Risks

# Business Model



Palm oil



Cacao



Soy

## Vegetable oils and fats



Edible oils and fats



Vegetable fats for chocolate

## Industrial chocolate



Industrial chocolate

## Emulsified and fermented ingredients



Whipping cream



Margarine



Fillings

## Soy based ingredients



Soy protein ingredient



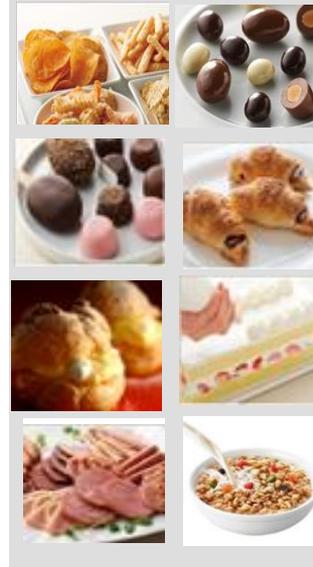
Functional agent (Water soluble soy polysaccharides ,etc.)

Food manufacturers  
Beverage manufacturers  
Confectionery manufacturers  
Bakery manufacturers  
Retail  
Food service chains  
School lunches  
Medical institutions

etc.

**A manufacturer of B to B food intermediary ingredients**

that provides deliciousness in a variety of food scenes



# Fuji Oil Group's Values

The basic management policy was formulated in 1960 and Reorganized into three articles in 1981

## 経営基本方針

顧客への貢献が果し不断発展の因

Contribution to customers

創造精神がモチ常ニ革新ニ挑ム

自己啓発が熾ニシ人格向上ヲ目指ス

不二製油株式会社

Reorganized as “Fuji Oil Group Management Philosophy” in 2015.  
Principles and guidelines for Group employee behavior

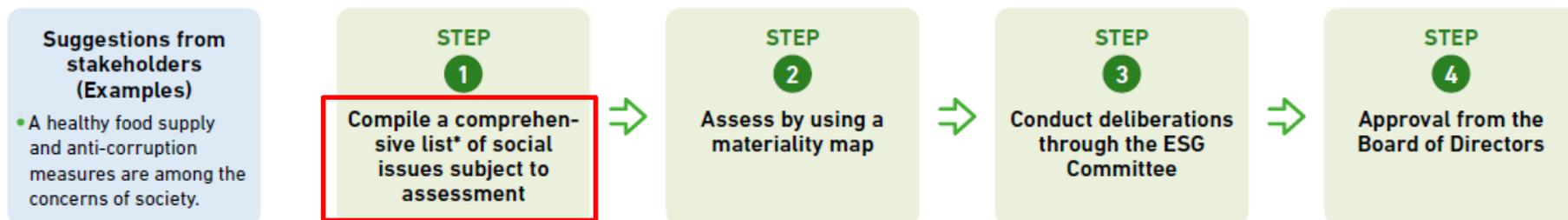


## The value of “Work for people”

=Solving the problems of customers and society through business  
= Without the realization of a sustainable society, a company cannot survive.

# How to set social issues to be addressed by the Fuji Oil Group

## Process for setting social issues to be addressed and creating materiality



- List of GRI, SASB disclosures
- WBA (World Benchmarking Alliance) standards
- SDGs
- ESG themes promoted by industry organizations
- Advice of external experts

## FY2021 ESG Materiality Map

Stakeholder interest	Highest	<ul style="list-style-type: none"> <li>• Plastic use reduction</li> </ul>	<ul style="list-style-type: none"> <li>• GRC*<sup>1</sup></li> <li>• Conservation of water resources</li> <li>• Resource circularity</li> <li>• Environmentally conscious manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Creative food solutions</li> <li>• Sustainable procurement*<sup>2</sup></li> <li>• DE&amp;I*<sup>3</sup></li> <li>• Climate change mitigation and adaptation</li> </ul>
	Higher	<ul style="list-style-type: none"> <li>• Animal welfare</li> </ul>		<ul style="list-style-type: none"> <li>• Assurance of product quality and safety</li> <li>• Occupational health and safety</li> </ul>
	High	<ul style="list-style-type: none"> <li>• Partnership with communities</li> </ul>		<ul style="list-style-type: none"> <li>• Human resource development</li> </ul>
		High	Higher	Highest
Impact on the Fuji Oil Group's business				

\*1 Governance, risk, compliance. The perspectives for corporate governance (enhancement of effectiveness of the Board of Directors, etc.) and internal control (Group governance, risk management, etc.) are included in the GRC; however, the ESG Committee will monitor the items pertaining to internal control. Meanwhile, corporate governance will be monitored by the Board of Directors.

\*2 Respect for human rights, biodiversity conservation, and forest conservation are also included in the important perspectives regarding sustainable procurement.

\*3 Diversity, Equity and Inclusion

# Issues and directions to be addressed by the Fuji Oil Group

ESG Materiality		
Priority Area (10)	Priority Theme (24)	CxO in Charge
Creative food solutions	Solutions to food insecurity	CTO
	Provision of healthy food	
	Reduction of sugars intake	
	Reduction of trans fatty acid contents	
Sustainable procurement	Sustainable procurement of palm oil	CSO
	Sustainable procurement of cocoa	
	Sustainable procurement of soybeans	
Assurance of product quality and safety	Ensuring food safety and quality	C"ESG"O
Occupational health and safety	Promoting occupational health and safety	
Climate change mitigation and adaptation	CO <sub>2</sub> emissions reduction	
Conservation of water resources	Water use reduction	
Resource circularity	Waste reduction	
	Food loss and waste reduction	
Environmentally Conscious manufacturing	Reduction of the environmental impact of products and raw materials	CTO
DE&I	Diversity management	CAO
GRC	Risk management system	C"ESG"O
	Information security management	CFO
	Compliance	CAO
	Group governance	CSO
	Corporate governance	CAO

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# Issues and directions to be addressed by the Fuji Oil Group

To address the issue of climate change, we aim to contribute mainly by reduction of CO<sub>2</sub>.

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# Social Trends on Climate Change

## Paris Agreement (2015)

It was stated that the goal is to keep the temperature below 2°C and to pursue efforts to keep the temperature below 1.5°C compared to pre-industrial levels.



**2°C Target**  
CO<sub>2</sub> 24% reduction



## IPCC "Global Warming of 1.5°C" (2018)

Announced that rising global temperatures will affect a variety of ecosystems and human living environments.



**1.5°C Target**  
CO<sub>2</sub> 40%~60% or more reduction  
+ supply chain

The target was changed in June 2019 in response to the IPCC report.

## CO<sub>2</sub> reduction target

Country · Area	Reduction target for 2030	Base year	Carbon neutral target
Japan	46% reduction	2013	2050
America	50~52% reduction	2005	2050
UK	78% reduction(2035)	1990	2050
EU	55% reduction	1990	2050
China	Peak out	-	2060

Quote: Ministry of Economy, Trade and Industry Agency for Natural Resources and Energy

# Business Impacts of Climate Change (TCFD)

## Assessing the Financial Impact of Risks and Opportunities Associated with Climate Change

Item		NO	Details of Risks and Opportunities	2°C Scenario	4°C Scenario
				Degree of Impact	Degree of Impact
Transition risk	Transition risk	1	Increased cost of complying with Environmental regulations	↓ ↓	↓
		2	Impact of deforestation linked to suppliers	↓ ↓	↓ ↓
	Physical risk	3	Intensifying natural disasters due to extreme weather	↓ ↓	↓ ↓ ↓
		4	Concerns over shortage and rising cost of key raw materials worldwide	↓ ↓	↓ ↓ ↓
Opportunity	Market	5	Expansion of Plant-Based Food (PBF) market	↑ ↑ ↑	↑ ↑
	Resilience	6	Addressing new health concerns arising from climate change	↑ ↑	↑ ↑

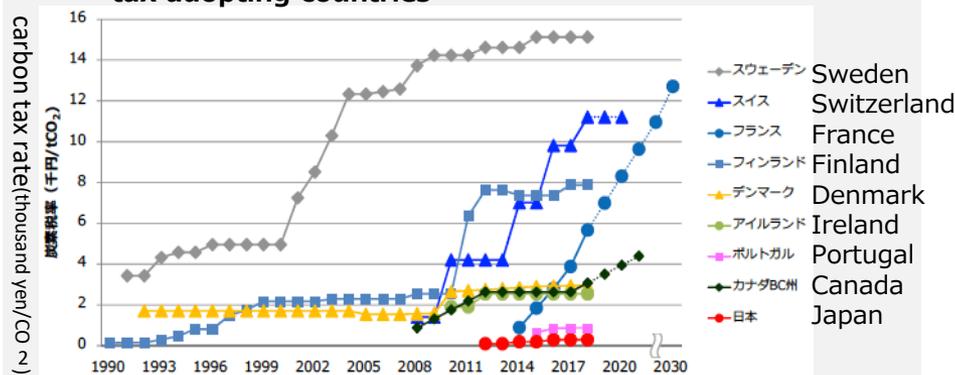
**The specific description of each scenario has been omitted due to projection.** Please refer to the "Integrated Report 2021" and "Sustainability Report" for details.  
 Integrated Report 2021 [https://www.fujioilholdings.com/en/ir/library/integrated\\_report/](https://www.fujioilholdings.com/en/ir/library/integrated_report/)  
 Sustainability Report <https://www.fujioilholdings.com/en/csr/>

# Business Impacts of Climate Change (Increase in costs to comply with environmental regulations)

## Increase of carbon tax

Carbon taxes in many countries are increasing every year.  
It is expected to increase in the future.

Trends in carbon tax rates in major carbon tax adopting countries



Quote : "Study Group on the Ideal State of Carbon Pricing Summary"

[https://www.env.go.jp/council/06earth/y0619-01/ref01\\_02.pdf](https://www.env.go.jp/council/06earth/y0619-01/ref01_02.pdf)

\*Japanese text only

## Carbon border adjustment mechanism

EU first outlines "**Carbon border adjustment mechanism**" for five items with high greenhouse gas emissions

## Requests from costumers

Each company, especially European and American companies, has set high targets.  
**Increasing requests to suppliers to reduce CO<sub>2</sub>.**

## Risks

- Possibility of increased costs due to stricter environmental regulations
- There is a possibility of a decrease or suspension of transactions due to inability to respond to requests from customers to reduce CO<sub>2</sub>.

# Addressing the Business Impact of Climate Change

## Risks

- Possibility of increased costs due to stricter environmental regulations
- Impediments to business continuity due to inability to respond to requests from customers to reduce CO<sub>2</sub>.



## Countermeasure

### Promotion of **Environmental Vision 2030**

【Target for 2030 (Base year : 2016)】

- |                             |   |
|-----------------------------|---|
| ① CO <sub>2</sub> emissions | Scope1&2:40% reduction<br>Scope3(Category1) : 18% reduction |
| ② Water usage               | 20% reduction in water intensity                            |
| ③ Waste                     | 10% reduction in waste intensity                            |
| ④ Resource recycling        | Maintain a recycling rate of at least 99.8%                 |

①~③All group companies ④All group companies in Japan



Mid-term greenhouse gas reduction targets approved by the Science Based Targets Initiative, an international initiative.

# Promotion System for Achieving Numerical Environmental Targets

## <Promotion System>



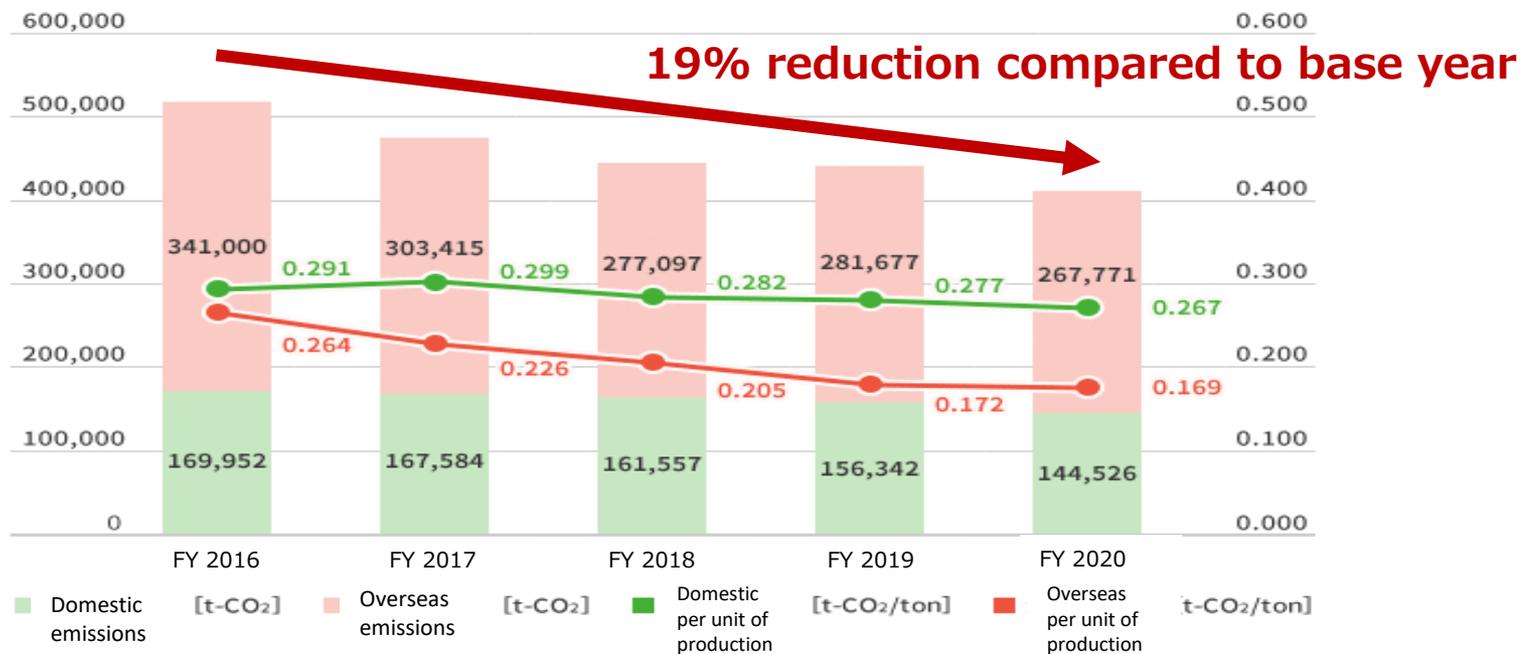
# Examples of Initiatives and Progress

## Examples of initiatives

- Improvement of energy sources  
(Promotion of introduction of solar power generation)
- Improve the efficiency of the system



## Progress in reducing CO<sub>2</sub> emissions



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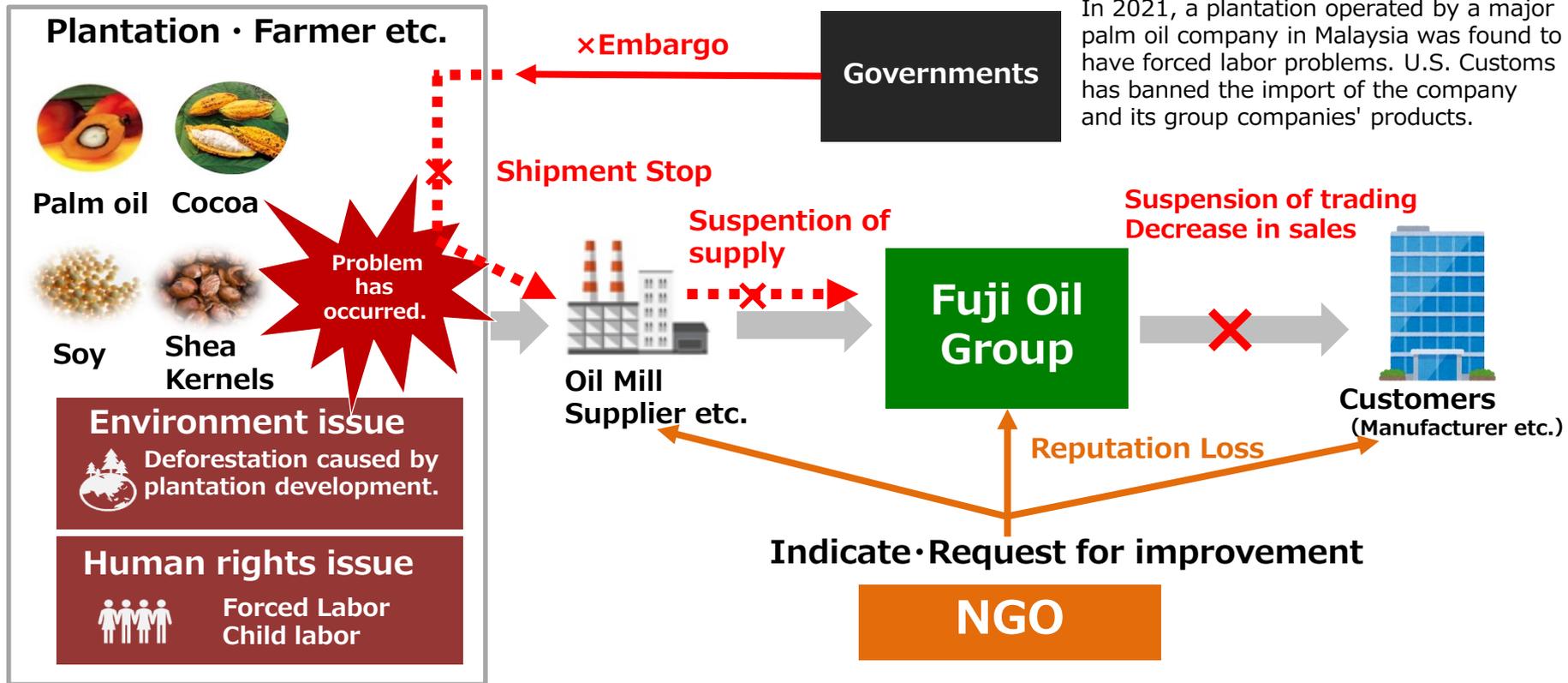
# Issues and directions to be addressed by the Fuji Oil Group

## Promoting "Sustainable Procurement" to address issues and risks in procurement

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# Issue and Risks in Procurement

- **Issue** : There are farms with environmental and human rights issues.
- **Risks** : Embargo of raw materials from troubled farms and perceived indirect involvement will damage the group's reputation and lead to lower sales.

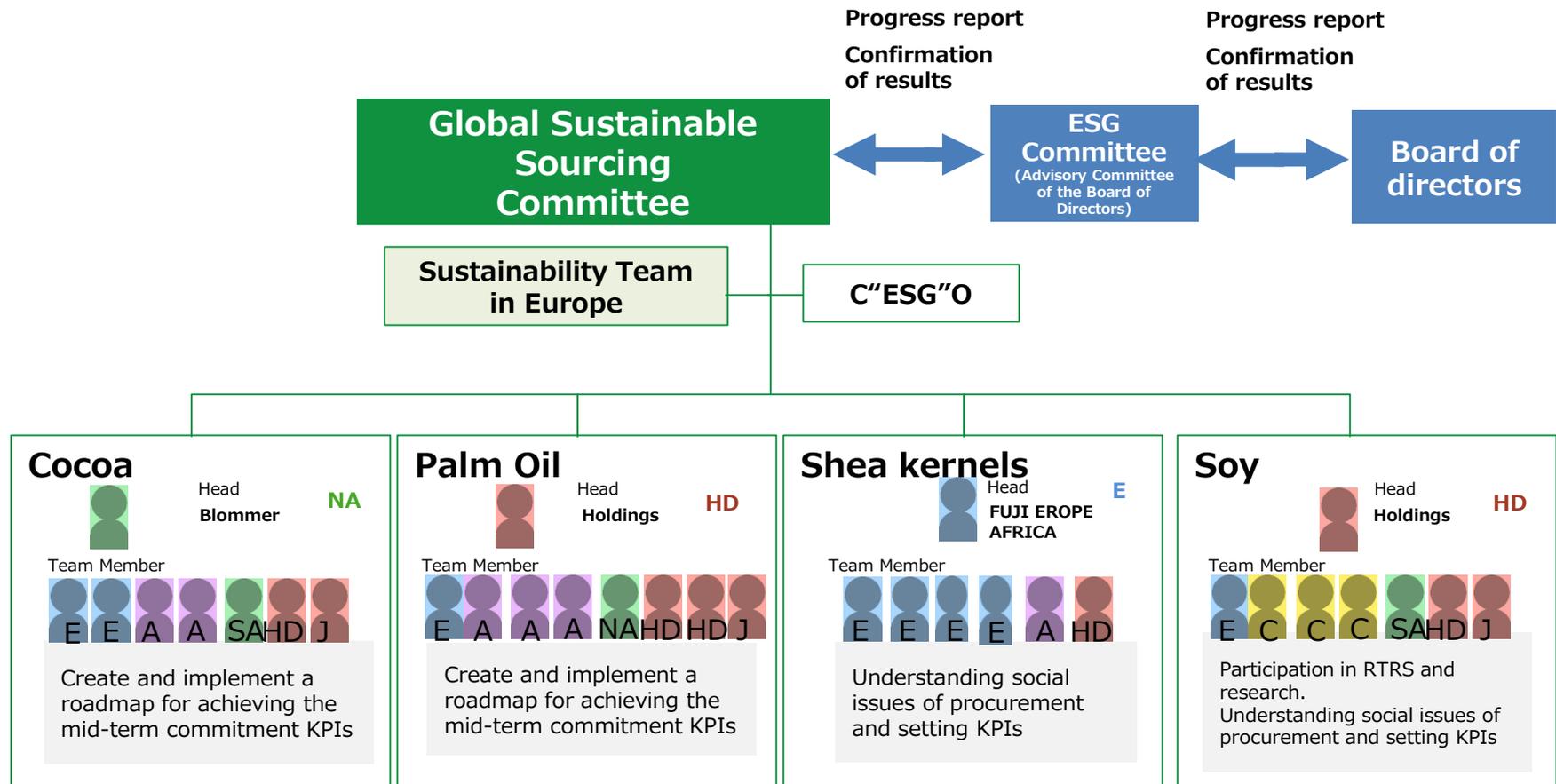


# Sustainable Procurement Policy

Raw Materials	Sourcing Policy
<p data-bbox="150 386 353 429">Palm oil</p> 	<ul data-bbox="736 354 1344 496" style="list-style-type: none"><li>-No deforestation</li><li>-No peatland development</li><li>-No exploitation</li></ul>
<p data-bbox="150 639 305 682">Cocoa</p> 	<ul data-bbox="736 596 1818 739" style="list-style-type: none"><li>-Improving the livelihood of cacao farmers</li><li>-Elimination child labor from our supply chain</li><li>-Preventing deforestation and protecting forest</li></ul>
<p data-bbox="150 868 247 911">Soy</p> 	<ul data-bbox="736 839 1924 1025" style="list-style-type: none"><li>-Protection of biodiversity and zero deforestation</li><li>-Zero exploitation of indigenous peoples, local residents and workers</li><li>-Compliance</li></ul>
<p data-bbox="150 1125 343 1225">Shea kernels</p> 	<ul data-bbox="736 1125 1557 1210" style="list-style-type: none"><li>-Forest conservation</li><li>-Support for women's empowerment</li></ul>

# Promotion System for Sustainable Procurement

The Sustainable Procurement Sourcing Committee was established to promote sustainable procurement on a global scale.

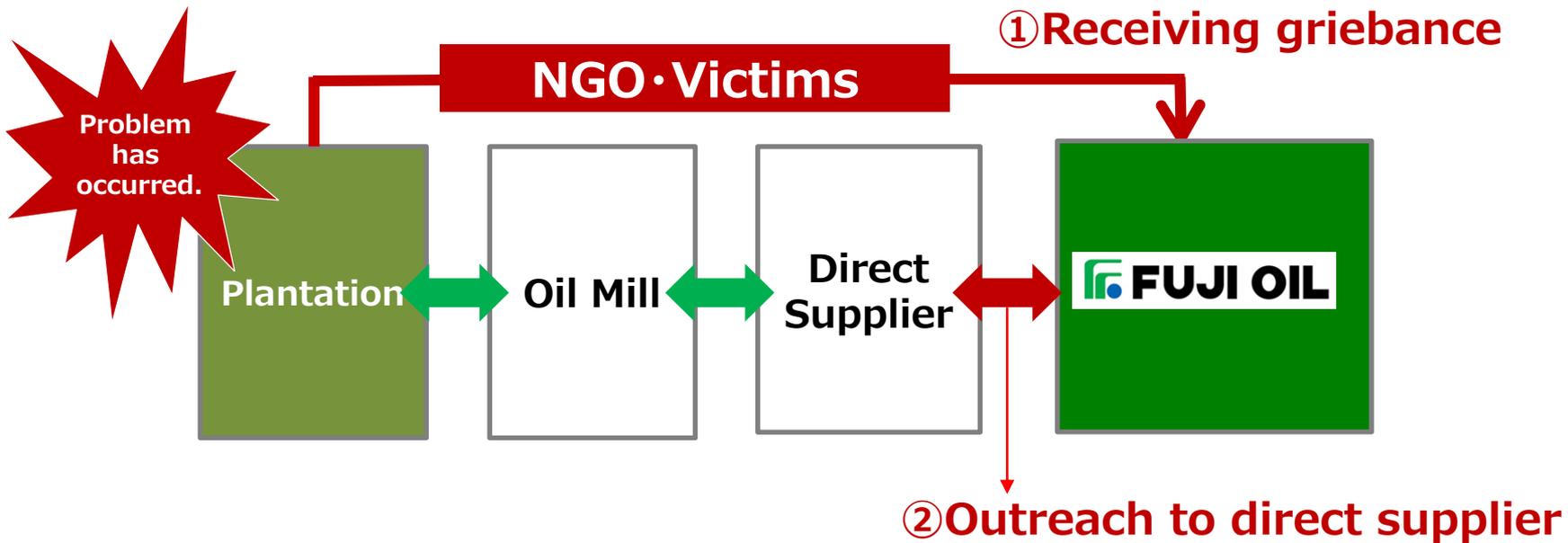


(※E = 「Europe Africa」、A = 「Asia」、C = 「China」、SA/NA = 「South/North America」、HD/J = 「Holdings/Japan」)

## Grievance Mechanism

**A mechanism to accept and improve human rights and environmental issues in the palm oil supply chain**

- Basic approach is to directly contact suppliers
- From FY2020, the scope will be expanded to include the parent company groups of Grievance recipients.



## Tree planting improves soil and helps farmers earn profits

Example of a cocoa plantation and surrounding area in western Ghana



Biodiversity loss  
due to deforestation

Flooding and drought  
damage due to increased  
greenhouse gas emissions

Various types  
of Planting of  
shade trees

KPI  
100,000 trees planted in 2021  
1 million trees planted in 2030

Enhancing Biodiversity  
contribute to soil improvement

Farmers can earn profits by  
selling the fruits harvested  
after planting.

**Future  
Challenges**

By examining the productivity of cocoa beans and how they contributed to farmers' income, it is necessary to review each time for a more effective approach.

# Progress in sustainable procurement and external evaluation

## Progress

Medium- to long-term target		FY2020	FY2025	FY2030	Goal
Palm	Deforestation prevention	TTP 71%	TTP 75%	TTP 100%	-No deforestation -No peatland development -No exploitation
	Exploitation prevention	Improved working environment 10%(Major subsidiary)	Improved working environment 100% (Major subsidiary)	Improved working environment (all direct supplier)	
Cacao	Child labor	CLMRS*1 97% Blommer direct supply	Zero WFCL*2	Zero Child labor	-Eliminate child labor, -Eradicate deforestation
	Reforestation	10,000 tree planting	500,000 tree planting	1 million trees planted	

\*1 CLMRS:Child Labor Monitoring and Remediation System

\*2 WFCL: Worst Forms of Child Labor

## Customer trends and evaluation

### (Europe)

The establishment of a simple supply chain for sustainable palm oil has been highly appreciated.

### (SE Asia)

Received the Good Supplier Award from a major customer for its sustainable palm oil supply scheme.

### (Japan)

Increased inquiries and consultations on sustainable palm oil and cocoa to strengthen the relationship.

## Evaluation by society



CLIMATE FORESTS WATER

December 2020

Triple "A" score in CDP( Forests , Climate , Water Questionnaire)  
(10 out of about 9,600 companies, the first two companies in Japan)

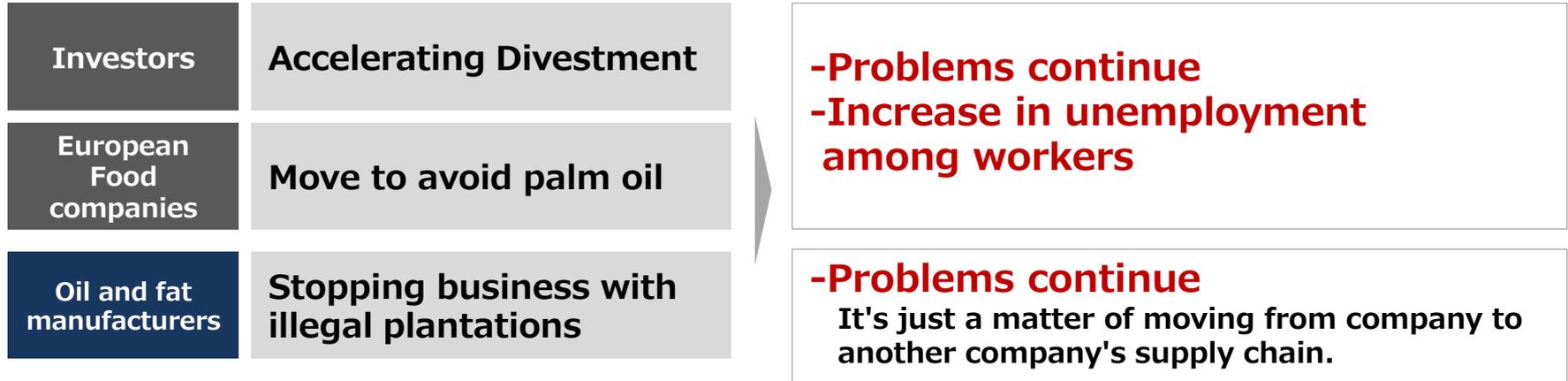


February 2021

Achieved a place on the prestigious 'Supplier Engagement Leaderboard' in CDP.

# Thoughts on Solving Procurement Issues

## ✓ What "Elimination" causes, not "Problem Solving".



## ✓ Fuji Oil Group's goal = Contributing to the resolution of social issues



- Emphasis on direct supplier outreach and collaboration**
- Implementing measures to improve the working environment by introducing a working environment improvement program**



 **FUJI OIL HOLDINGS INC.**