

Small meeting “Initiatives to address Climate Change and Procurement Risks”

•Date September 21, 2021 13:00~14:00

•Speaker C“ESG”O Takashi Kadota

Major Q&A

<Climate change>

Q. Many Japanese companies are engaged in initiatives related to climate change and environmental conservation. How do you view these trends?

A. Over the past year, many companies have adopted and engaged in policies related to the problem of climate change. This is a particular area of interest among younger consumers, who demonstrate a higher tolerance for accepting the cost of environmental measures being reflected in product prices. Japanese people have a natural appreciation for the environment and the concept of Sampo Yoshi (good for the seller, buyer, and society) is entrenched in Japanese culture. As such, the shift to an understanding towards environmental issues has been rather smooth. What we do see as a significant issue is the fact that Japan lags behind in terms of disseminating information and promoting Japanese efforts to the world. We are also aware of our own issues with information dissemination. To this point, we are working to strengthen our efforts in this area by engaging in the exchange of opinions with the EU Sustainability Team and take a global perspective towards enhancing our information dissemination.

Q. How did you calculate Scope 1 + 2 and Scope 3 reduction goals for your Environmental Vision?

(Reference: Scope 1 + 2: 40% total reduction; Scope 3: 18% total reduction)

A. CO₂ reduction goals are calculated based on the Science Based Targets (SBTs). As the goal scenario was changed to 1.5°C in accordance with the Paris Agreement, the Scope 1 + 2 goal was changed to well below 2°C. However, the Scope 3 goal remains unchanged to reflect our capabilities and commitment. We are planning on changes to reflect the goal of 1.5°C.

Q. What is your view on increases in procurement costs associated with CO₂ reductions?

A. Compared to FY2016, we reduced CO₂ emissions for FY2020 by 19%. We have been able to control procurement costs thanks to advances in technology development absorbing the associated increase in costs. We want to continue controlling costs as much as possible but it is likely that a certain level of cost increases will be unavoidable. Our hope is that markets and society will accept such costs as ethical costs. Looking at Scope 3, we understand that, compared to our business of secondary processing, the suppliers engaged in primary processing have smaller margins for making CO₂ reductions. As such, we believe that in the future we will have to accept a certain level of cost increases. At the same time, we will pursue potential cost reductions by accelerating initiatives in collaboration with our partners in primary processing industries.

<Procurement risk>

Q. How are you engaged in promoting and utilizing the grievance mechanism?

A. Thus far, we our efforts have been limited to information dissemination and engagement targeting direct suppliers.

However, currently we are partnering with various parties, including suppliers and NGOs, to conduct site visits and provide feedback on the results of monitoring using satellite photos. Also, not only are we receiving reports on results from primary suppliers, we now consider the end-goal for initiatives to be objective analysis and validation.

Q. What impact has UniFuji (merger company for sustainable palm oil processing formed by Fuji Oil and United Plantations) had on European business and are you experiencing an increase in procurement costs?

A. The UniFuji scheme, which involves supplying sustainable, high-quality palm oil that enables complete tracing back to the plantation, has been highly praised by suppliers. This is helping increase Fuji Oil's presence in the EU. Also, the high-added-value of the product makes up for the increased procurement costs.