

**Progress Report
on the Responsible Palm Oil
Sourcing Policy**

January – June 2023



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INTRODUCTION

About the report

This report describes the progress of traceability and supply chain improvement activities implemented in principle from January 2023 to June 2023 to achieve NDPE (No Deforestation, No Peatland Development and No Exploitation). This report is prepared as an interim report of the annual Sustainability Report.

Activities to promote the Responsible Palm oil Sourcing policy.

1. Traceability
2. Transformation Activities for Palmaju Supply Chain (Malaysia)
3. Procurement of palm oil certified by RSPO
4. Grievance Mechanisms
5. Areas for Priority Transformation (APT) Landscape Initiative (Indonesia/Malaysia)
6. Smallholder supporting project (Malaysia)

OUR AMBITION

The Fuji Oil Group Responsible Palm Oil Sourcing Policy (formulated March 2016)

The Responsible Palm Oil Sourcing Policy outlines commitments towards a No Deforestation, No Peatland and No Exploitation (NDPE) for all palm oil production within our supply chain.

<https://www.fujioilholdings.com/pdf/en/csr/sustainable/160310.pdf>

Medium- to long-term KPIs

To strongly promote the Responsible Palm Oil Policy, FUJI launched medium- to- long term KPIs in June 2020, as a milestone of our ambition.

Medium- to long-term goals	KPI	
	2025	2030
NDPE	Traceability to plantation (TTP): 85% ^{*1}	TTP: 100%
	Labor Transformation Program (LTP) implementation rate: 100% (all suppliers of Palmaju Edible Oil Sdn. Bhd. (Malaysia) ^{*2})	LTP implementation rate: 100% (all direct suppliers)

*1 The TTP KPI as of June 2020 was 75%. The TTP KPI was further revised to reassure our commitment.

*2 Palmaju Edible Oil Sdn. Bhd. (Malaysia): An oils and fats manufacturer wholly owned by the Fuji Oil Holdings Inc.

PROGRESS

Major progress through June 2023

- We have achieved 100% traceability to mill (TTM) since 2018. The traceability programs we invested have made good progress. Heading to the TTP KPI we set, the performance during this reporting period was 95%.
- The Labor Transformation Program (LTP) went well. The site visit resumed after the impact of Covid-19. We are in the midst to catch-up the KPI. Current, we are at 74% during this reporting period.
- 85% of our group sourcing has been verified as deforestation free. Our Malaysia refinery, Palmaju Edible Oil, has achieved 100% verified No Deforestation.
- Under the Wild Asia Group Scheme (WAGS) of Wild Asia, a Malaysian social enterprise, we have helped a cumulative total of 1,263 farmers obtain and/or maintain RSPO certification and supported 81 farmers with BIO farming methods by December 2023.

PROGRESS

Result data

Major stakeholders	Purpose of activity		【Target year】 Indicator	Result			
				2020 (Jan – Dec 2020)	2021 (Jan – Dec 2021)	2022 (Jan – Dec 2022)	2023 (Jan – Jun 2023)
Fuji Oil Group's suppliers, farms and dealers, NGOs	Fuji Oil Group's palm oil supply chains	Ensuring traceability	【2025 / 2030】 TTM 100%/100%	100%	100%	100%	100%
			【2025 / 2030】 TTP 85% /100%	71%	85%	93%	95%
	Identifying environmental and human rights issues	Number of grievances registered*1	108 (Apr 2020 – Mar 2021)	39 (Apr 2021 – Mar 2022)	47 (Apr 2022 – Mar 2023)	103 (Apr 2023 – Jan 2024)	
			Cumulative number of grievances registered: 429 (May 2018 – Jan 2024)				
Palmaju's suppliers, NGOs	Palmaju's supply chain	Improving working conditions for workers in its supply chain	【2025】 LTP implementation rate 100% (all suppliers of Palmaju)	10%	27%	61%	74%
		Understanding the status of responsible palm oil sourcing by suppliers	Number of suppliers that submitted self-assessment questionnaire and action plan	<Direct suppliers> Mills: 7 Plantations: 5 <Indirect suppliers> Mills: 10 Plantations: 0 <i>KPI was revised as below from 2021</i>			
				Rate of suppliers that submitted self-assessment questionnaire and action plan	<i>KPI was set from 2021</i>		
		Verification of "No Deforestation"	Rate of purchase volumes confirmed non-involvement in deforestation	70%	83%	99%	100%
Fuji Oil Group's suppliers and customers	Promoting procurement of certified palm oil	RSPO certified oil handling ratio	32%	41%	58%	60%	
Smallholders in Sabah, Malaysia, social enterprise	Supporting for RSPO certification	Cumulative number of smallholders supported to obtain and/or maintained RSPO certification	423 (Jan 2016 – May 2021)	703 (Jan 2016 – May 2022)	908 (Jan 2016 – May 2023)	1,263 (Jan 2016 – Dec 2023)	
	Supporting for BIO farming	Cumulative number of smallholders compliant with BIO farming methods	<i>Started supporting BIO farming (From June2020)</i>	20 (Jun 2020 – May 2022)	70 (Jun 2020 – May 2023)	81 (Jun 2020 – Dec 2023)	

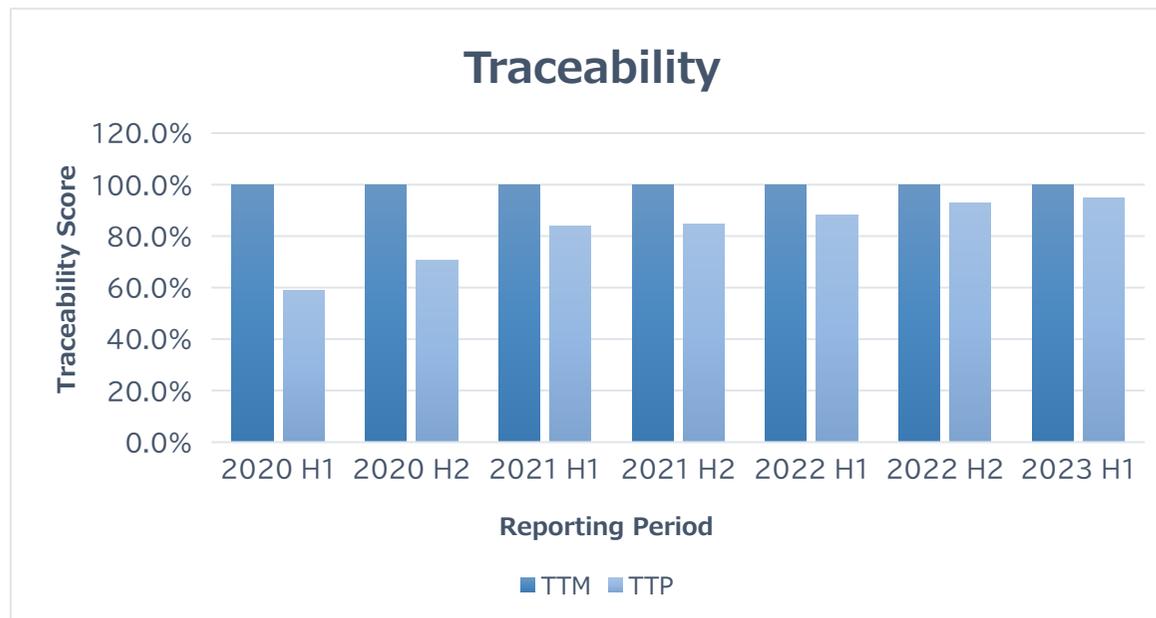
*1 Number of grievances registered: In accordance with Fuji Oil Group's Grievance Procedure, the number of grievances determined to be directly or indirectly related to the Group's palm oil supply chain and to be breached to the Group's responsible palm oil sourcing policy. The number may vary after publication due to the timing of grievance receipt.

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1. Traceability

In the period of January 2023 to June 2023, the Fuji Oil Group is proud to announce that we have maintained a 100% score for our TTM. Meanwhile, our TTP score have improved to 95% from 88% and 84% for the same period in 2022 and 2021 respectively. In recent years, more palm oil companies have increased the disclosure of information such as traceability to the oil mills on their supply chain, oil mill list (mill list), and grievance list, etc.

Together with our partner we are working on a plan to engage traders and suppliers to continue improving our global traceability scores. We also remain committed to increase our TTP score across all our business units.



Fuji Oil Group-wide Traceability Score

PROGRESS

2. Transformation Activities for Palmaju Supply Chain (Malaysia)

As part of the policy implementation strategy, we employ an Aggregator Refinery Transformation Plan (ART) for suppliers in the supply chain of Palmaju, which is our group's primary refinery in Malaysia. Since 2016, progress has been made to engage a range of partners in the supply chain, including refiners, millers and growers.

Our implementation strategy has evolved to now center around a number of specific transformation activities that are focused on prioritized needs in the supply chain. This report focuses on 3 main activities, namely A. Engagements to implement "No Exploitation" commitments (Labor Transformation Program: LTP), B. Self-assessment Tools and C. Engagements to implement "No Deforestation" commitments.

A. Engagements to implement "No Exploitation" commitments (LTP)

During this period, we are continuing our efforts in improving labor practices across our suppliers' operations by aiming to engage with 3 new suppliers to implement LTP throughout the year. As of June 2023, we have engaged 86% of Palmaju suppliers with LTP, and implemented LTP to 74% of the suppliers. The Group will continue working toward our goal of 100% LTP implementation rate across the supply chain to achieve zero exploitation.

https://www.fujioilholdings.com/en/sustainability/palm_oil/

B. Self-assessment Tools

From 2022 exercise, 100% of the direct suppliers and 86% indirect suppliers have taken part in the self-assessment exercise – this presents a continuous improvement for indirect suppliers which stood at 52% in 2020. Since 2018, the participation of mills and plantations has grown almost threefold.

In H1 2023, Fuji's suppliers from the Palmaju supply chain continued to share their progress through the self-assessment tools. This exercise to be implemented during 2023 has already been completed by the end of the year, and the report will help Fuji to monitor, provide support, and work together with our suppliers as part of our commitments towards NDPE.

https://www.fujioilholdings.com/en/sustainability/palm_oil/

PROGRESS

C. Engagements to implement “No Deforestation” commitments

As the Covid-19 situation and restrictions have improved in Malaysia, we resumed full strength of our supplier engagement program. We managed to reconnect with 2 key suppliers and conducted our engagement in ensuring deforestation-free supplies of fresh fruit bunches (FFB). 100% of Palmaju supply chain has been successfully verified as deforestation free.

https://www.fujioilholdings.com/en/sustainability/palm_oil/

3. Procurement of palm oil certified by RSPO

The Fuji Oil Group endorses the creation of a palm oil sustainable production and consumption system and has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2004.

RSPO is the most widely recognized international certification system in the industry in producing Certified Sustainable Palm Oil (CSPO). The Fuji Oil Group has been implementing the RSPO’s new Shared Responsibility rules and expanding the volume of palm oil certified by RSPO we procure every year. In H1 2023, palm oil certified by RSPO accounted for roughly 60% of the palm oil procured handled by the Group. Contributing significantly to this increase was the establishment of a supply system by UniFuji refinery (Malaysia), a joint venture with United Plantations Berhad, and increased demand mainly in the U.S. and European markets. Going forward, we plan to step up efforts to meet more customer requests by deepening our partnership with strategic suppliers of Palmaju, also located in Malaysia, to increase the procurement of palm oil certified by RSPO.

* Check our progress at www.rspo.org/

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4. Grievance Mechanisms

In May 2018, the Fuji Oil Group established and launched our very first palm oil grievance mechanism as one of the very important pillars in implementing our Responsible Palm Oil Sourcing Policy. Our grievance mechanism set a platform for our stakeholders or any or interested party to raise to us if there is any grievance against Fuji Oil Group or our supply chain, regardless of human rights or environmental issues. We will engage our suppliers and take appropriate corrective action in accordance with our Responsible Palm Oil Sourcing Policy, after the raised grievance being validated.

Since FY2020, we have been partnering with Earthqualizer, a satellite company to support in our Palm supply chain deforestation monitoring. This partnership allows us to identify, monitor, address, and verify the deforestation that occurs in the Group's supply chain in Indonesia and Malaysia. The availability of the information allows us to explore solutions with suppliers and communicate more effectively with our valuable stakeholders.

Since early 2022, we are also working with Earthworm Foundation in improving our grievance management. Through this collaboration we received several case reports linked to our palm oil supply chains and raised the cases with our suppliers to ensure the grievances are addressed. We look forward to continuing monitoring each ongoing case and addressing any issues raised within our supply chain as part of our NDPE commitment.

As of the end of January 2024, we have registered 429 cases in our grievance log and about 30% of the cases are considered closed.

https://www.fujioilholdings.com/en/sustainability/grievance_mechanism/

PROGRESS

5. APT Landscape Initiative (Indonesia, Aceh)

KPI Dashboard				
		2023 KPI	Progress as of Jun 2023	KPI Progress %
Stakeholders' support	Collective action plans (CAPs) implemented in 2 districts	2	4	100%
	Regulations/Policies related with NDPE/Land Use updates for 2 districts	2	1	50%
Forest Protection	Companies that identified 100% HCV/HCS ^{*1}	6	3	50%
	Hectares remaining HCV/HCS under protection through local regulations	3,750	12,805.21	100%
Resilient Farmers	Farmers trained on palm oil GAP ^{*2}	1,500	820	55%
	Farmer's Business Units supported on implementing alternative livelihood activities	3	2	67%
Workers & Families	Workers directly & indirectly engaged via activities with companies & government	600	87	15%
Community Rights	Villages engaged through Participatory Mapping & Land Tenure Studies (PM-LTS)	15	11	73%
	Conflicts are managed through conflict resolution process	6	2	33%

*1 HCV/HCS: High Conservation Value/High Carbon Stock

*2 GAP: Good Agricultural Practice

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Since 2018, Fuji Oil Group continues to support the Aceh Tamiang Landscape in Indonesia through Earthworm Foundation with the goal of reducing deforestation and demonstrating the viability of sustainable commodity production, conservation, and good social and labor practices on a large scale. Indonesia is a significant source in our supply chain, and we are committed to continuing our efforts in this landscape.

In 2021, the program expanded its scope across a vast region of about 3.9 million hectares, which covers around 70% of the northernmost province of Aceh in Indonesia. The region spans 12 regencies, with one of the world's most valuable rainforests — the Leuser Ecosystem — at its center. This program was designed as a multi-stakeholder collaboration to improve not only the palm plantations but also the entire designated region.

As of June 2023, the collective actions in the landscapes have progressed as below:

- Two multi-stakeholder working groups focused on natural resources and environmental management have been established in 2 Districts (Subulussalam and Aceh Singkil). One of the key activities carried out by these working groups in the joint effort to contribute to the development of the Regional Action Plan for Sustainable Palm Oil in Subulussalam and Aceh Singkil.
- At least 20 companies have received training on High Conservation Value (HCV) and High Carbon Stock (HCS) management where 6 had completed the HCV/HCS assessment and 3 companies are currently engaged in implementing the management and monitoring of HCV areas.
- Based on the Participatory Land Use Planning (PLUP) study and implementation, a total of 34,957.4 ha in 8 villages in Subulussalam are protected with public consultation already conducted in six villages.
- The landscape approach has helped 11 villages to complete their Participatory Mapping and Land Tenure Studies (PM-LTS) process. From the process, it is found that 30% of the communities' land ownership legality is secured; 50% of the communities' land ownership is not secured yet because there's no legality yet; with 20% in dispute. Earthworm Foundation facilitated the local government to develop alternative policy to improve this situation and trained the government and companies on conflict resolution.

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- A total of 820 farmers trained on palm oil good agricultural practices (GAP) since the beginning of the landscape project and 2 Farmer's Business Units (FBUs) were supported in implementing alternative livelihood activities and improving marketing of yields to increase farmer's income.
- 6 companies received assistance in reducing risks of labor exploitation and improving labor rights among a total of 2,373 workers in the palm oil supply chain within the landscape. Moreover, Human Resources Office also have trained to regularly monitor if there is any violation on the workers' rights.



Discussion on customary rights and conflict resolution on land tenure rights



Learning ecosystem from farming practices to crop businesses

PROGRESS

5. APT Landscape Initiative (Peninsular Malaysia – South Central Forest Spine: SCFS)

KPI Dashboard				
		2023 KPI	Progress as of Jun 2023	KPI Progress %
Supply Chain Transformation	Mills are making progress to achieve 100% traceability to plantations	90	65	72%
	Mills are engaged to progress on social and/environmental commitments	15	0	0%
Forest Protection	Hectares covered by engagement leading to protection of remaining forest area	7,500	10,000	100%
	Hectars protected by human-elephant coexistence program	2,000	1,500	75%
Resilient Farmers	Smallholder farmers engaged	500	254	51%
	Capacity building sessions for smallholder farmers implemented	17	6	35%
	Village engaged in community mapping trainings	1	1	100%
Workers & Families	Workers impacted directly & indirectly	1,000	260	26%
	Companies engaged for labor awareness & capacity building	36	1	3%

PROGRESS

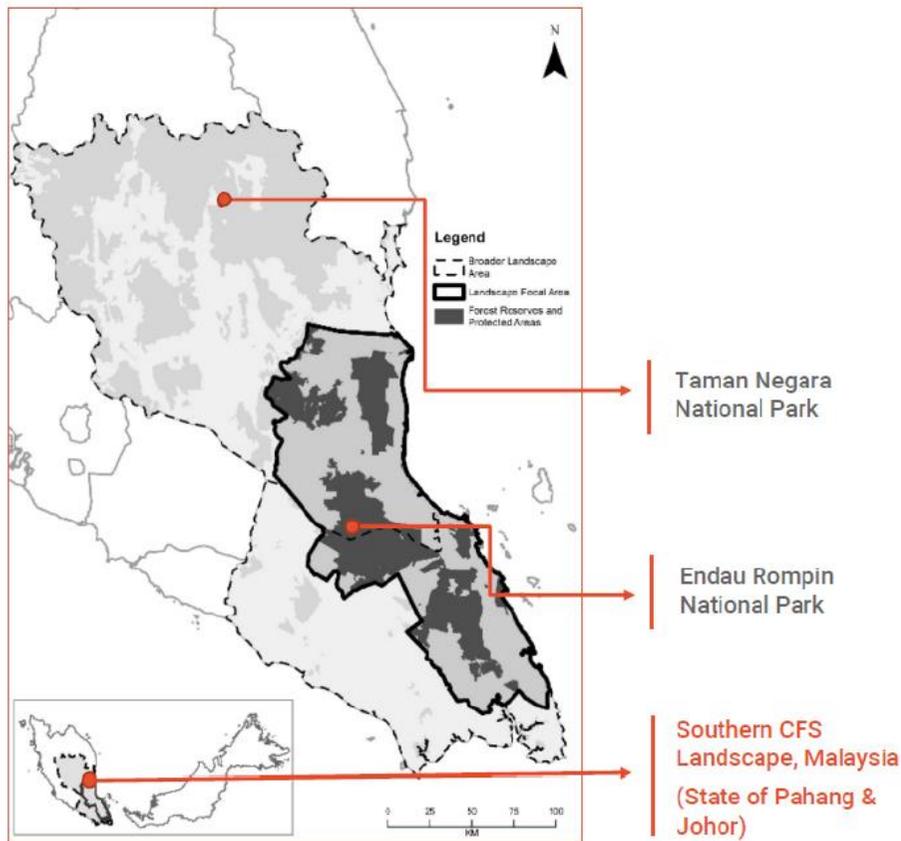
The Fuji Oil Group has identified the Southern Central Forest Spine (SCFS) Landscape as another Area for Priority Transformation. Since early 2022, the Group has further supported the landscape initiatives through Earthworm Foundation with the goal of progress towards the NDPE (No Deforestation, No Peatland Development, No Exploitation) standard. The palm oil supply chain in the SCFS landscape is interconnected, and it is important to work with multiple stakeholders within the landscape to drive transformation related to TTP through dealer engagement, labor practices, and the coexistence of humans and wildlife.

As of June 2023, the collective effort in the landscape has achieved progress action plan is as below:

- A total of 72% of the mills within the SCFS Landscape have achieved 100% traceability to plantations (TTP).
- 10,000 ha covered by deforestation monitoring and engagement leading to protection of remaining forest area.
- 1,500 ha protected by human-elephant coexistence program since the start of 2023.
- A total of 254 smallholder farmers outreached through income diversification and capacity building sessions.
- 1 village engaged in community mapping trainings, development of community maps and mapping modules for the improvement of land tenure rights among indigenous communities since the start of 2023.
- Reached 260 workers within the landscape since the start of 2023 by providing capacity building support to companies and key government agencies on forced labor awareness, setting up grievance mechanisms as well as improving labor practices among smallholders. - In collaboration with Fuji Oil Group, Malaysia Palm Oil Certification Council (MPOCC), and Malaysia Palm Oil Board (MPOB), Earthworm Foundation conducted dealers' traceability workshop with 80 participants representing FFB dealers in Johor, including our suppliers, with the objective in closing the gaps of achieving 100% TTP.
- Through collaboration with the Ministry of Human Resources and the support of the Ministry of Plantation and Commodities, Get It Right initiative against forced labor and child labor was organized.

PROGRESS

- To date, 92 participants attended capacity building workshops in developing concept for early warning system to detect potential risks before they become grievances, and engaged with 7 neighboring plantations to join a local management committee.



Stakeholder meeting with MPOB on EUDR & Sawit Intelligent Management System (SIMS)



Discussion on traceability with FFB dealers

PROGRESS

6. Smallholder supporting project

Since January 2016, the Fuji Oil Group has worked with other companies in the Wild Asia Group Scheme (WAGS), a support organization for smallholders organized by the Malaysian social enterprise Wild Asia. Details of projects can be found in our [Sustainability Report 2023](#)

In Certification Project, the WAGS field team provided supports WAGS member stallholders in Sabah to maintain MSPO / RSPO certification status. Additionally, more than 300 new small producers were prepared to newly obtain RSPO certification by trainings and documentation. The total number of smallholders that Fuji has been supported since 2016 reached 1,263, as of December 2023.

total number of BIO farm, which fulfill criteria established by Wild Asia, reached 81 in Sabah, as of December 2023. In Q2 2023 (2023.4-6), the WAGS BIO team focused engagement with new farmers to introduce BIO farm methods and to conduct baseline data collection. Not only the awareness raising activities, technical BIO transition supports on the field had been provided including training ginger intercropping and making fruit enzymes by organic wastes in farms.

In our phase-two-project-partnership with Wild Asia (2020.6-2023.5), stable support on certification had been provided while there was COVID-19 restriction by collaborating other partners and # of farmers applying BIO method significantly increased. In our phase-three-project partnership (2023.7-2025.6), we'll continue to support certification project and more focus on provision of further implementational support for regenerative agricultural practices at WAGS BIO farms.

PROGRESS



Wild Asia visiting and engaging with potential BIO



WAGS Farmer, Nisa Usman and her family showing their mushroom produce



Wild Asia helping WAGS BIO farmers to prepare farms for ginger intercropping



Workshop participants on making fruit enzymes

ANNOUNCEMENT

Upcoming Progress Updates:

Sustainability Report 2024 (H1 FY2024)

Responsible Palm Oil Sourcing Policy Progress Report (H2 FY2024)