

Sustainable Procurement of Cocoa

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Policy

In August 2018, the Fuji Oil Group established the Responsible Cocoa Beans Sourcing Policy.

Responsible Cocoa Beans Sourcing Policy

https://www.fujioil.co.jp/en/sustainability/policy/cocoa_procurement/

Governance

The Fuji Oil Group has established the Sustainability Committee^{*1} as an advisory body to the Board of Directors that is chaired by the President and CEO. From a multi-stakeholder perspective, the committee deliberates on and monitors Sustainable Procurement of Cocoa, a priority action to address material ESG issues,^{*2} and makes recommendations to the Board. The Group implements related initiatives under the oversight of the Head of Chocolate Business Headquarters, the Chief Operating Officer (COO), the Senior Executive Officer.

*1 Governance, Strategy, Risk Management, Metrics and Targets > Governance

https://www.fujioil.co.jp/en/sustainability/sustainability_management/#governance

*2 Governance, Strategy, Risk Management, Metrics and Targets > Metrics and targets

https://www.fujioil.co.jp/en/sustainability/sustainability_management/#index

Strategy

GRI: 2-6

Our 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. Smallholder farmers make up the majority of producers in Côte d'Ivoire and Ghana, the two major cocoa-producing countries, giving rise to a complex web of social and environmental issues. These include poverty and, linked to this, the challenges of children's education and child labor as well as low agricultural productivity, deforestation and climate change impacts. Addressing these issues requires a multifaceted approach, which includes environmental restoration, such as restoring deteriorated soil fertility, empowering women and ensuring children's education. We recognize that it is our role and responsibility to respect human rights, conserve natural resources, help farmers lift themselves out of poverty, and build resilient cocoa supply chains that ensure the future of cocoa production.

Failure to address these issues with integrity could result in business disruptions and damage to the Group's reputation. It also increases the risk of negatively affecting the Group's financial position by losing investor confidence, as well as customer and consumer trust, resulting in a shift in demand toward more sustainable brands and a decline in our market share. On the other hand, taking a proactive approach to these issues helps us improve our operational efficiency, strengthen our relationships with established customers, and build new customer relationships. This may also be an opportunity for the Group to take the lead in solving issues as an industry leader, by developing new markets and customers through sustainably produced products that provide a strong competitive advantage. In addition to avoiding risks, we will strengthen our Group brand through respecting human rights, conserving natural

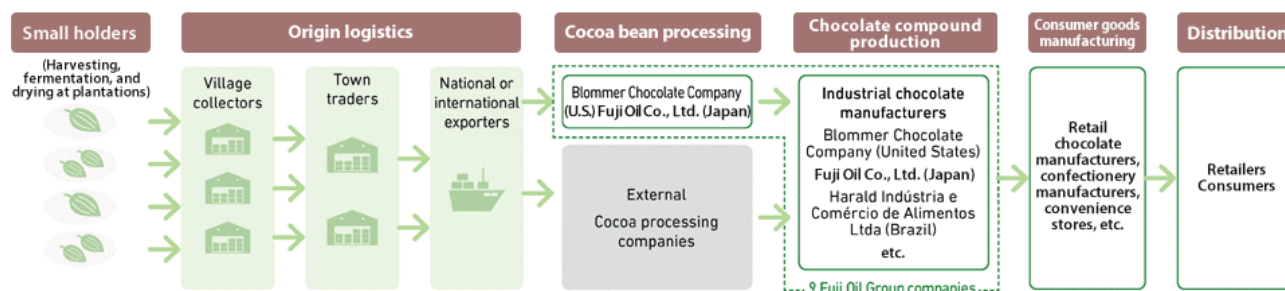
resources, and further improving cocoa supply chains, while at the same time we will bring positive changes to society and ensure the future of people.

In 2020, our Group set medium- to long-term goals and KPIs to realize the sustainable procurement of cocoa beans and track its progress. We continuously work on raising household income of farmers, ending child labor, and restoring forests by improving supply chain transparency and strengthening traceability.

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

*2 Vegetable oil obtained by pressing cocoa beans

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



Risk management

The Fuji Oil Group systematically manages risks and opportunities related to Sustainable Procurement, an area of sustainability matters that address material ESG issues, in alignment with Group significant risks.

Group significant risks

Risk type: Environment and human rights/ Procurement

https://www.fujioil.co.jp/en/ir/policies_and_systems/risk/

Sustainable Procurement Management > Risk management

https://www.fujioil.co.jp/en/sustainability/procurement/#risk_management

Traceability

Improving traceability across the supply chain is critical to addressing social and environmental issues in the cocoa supply chain. In our direct supply chain,^{*1} we are working with our suppliers to map out the boundary lines (polygons) of farms. The process, called polygon mapping, is used as the basis for establishing compliance regarding protected areas. Plantation polygons can also be used to assess deforestation related to the supply chain using satellite imagery.

Every year, Blommer Chocolate Company (U.S.), our subsidiary, publishes a map of farmer communities in its direct supply chain of farms on its website.^{*2} Farmer groups that supply raw materials to Blommer also undergo annual audits by certification bodies or third-party auditors.

Blommer's sustainability team working in Côte d'Ivoire plays a major role in overseeing and implementing the program, as well as checking its effectiveness and assessing its impacts. The team's findings play a role in verifying data reported by suppliers and in enhancing alignment with the program.

*1 Supply chain where cocoa beans are purchased directly from farmers or agricultural cooperatives, or where the source is traceable through intermediaries.

*2 <https://www.blommer.com/sustainability/strategy/traceability.php> 

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

In major cocoa-producing countries, farmers are facing challenges including poverty, child labor, lack of community infrastructure such as schools and health centers, shortage of farm workers, and lack of capital to invest in improving agricultural technology, 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 in the supply chain.

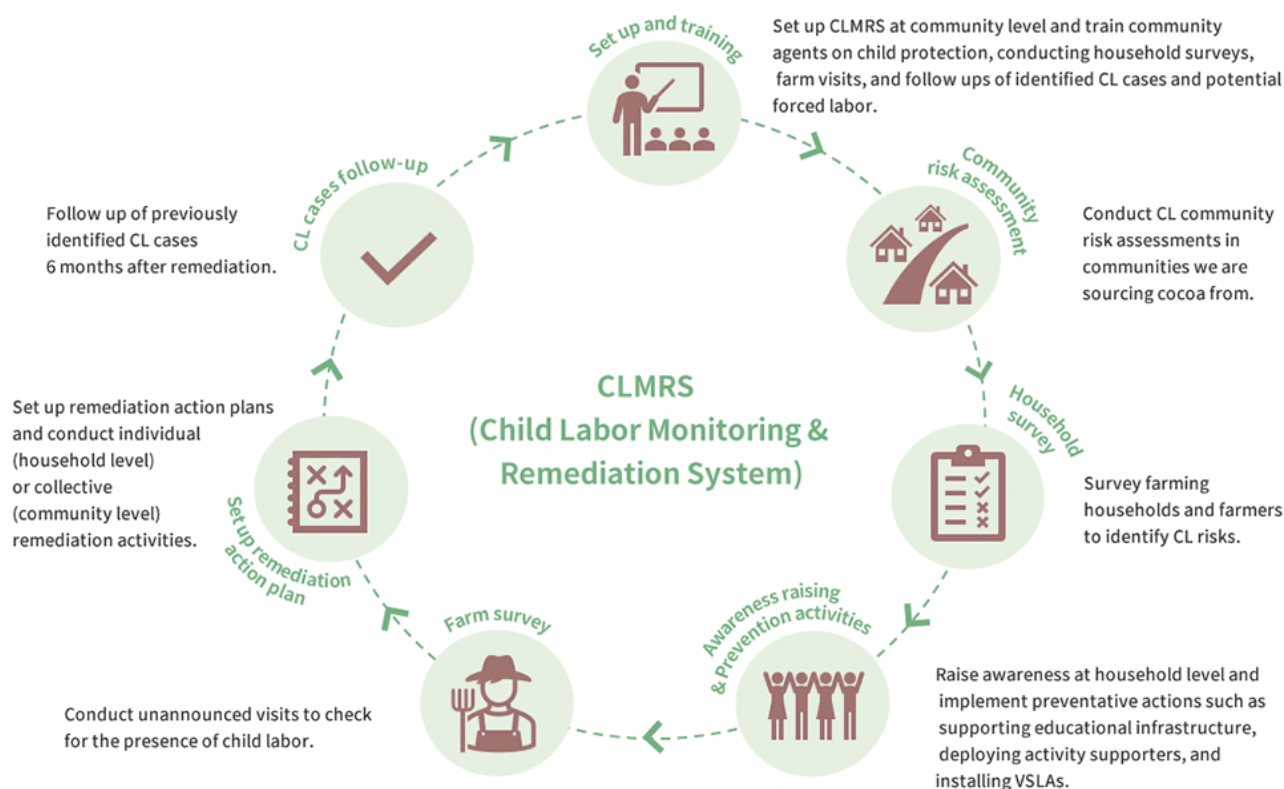
To identify the root causes of child labor and raise awareness of potential violations, community agents and farmer groups are working together to set up the Child Labor Monitoring and Remediation System (CLMRS) at all villages in our direct cocoa supply chain in West Africa. Community agents who monitor and carry out remediation measures are trained on child protection and conduct household surveys regularly. The Group focuses on high-risk communities and community agents to identify children at risk of or engaged in child labor and propose action plans to their families and communities. We also support cocoa farmers by providing pruning guidance, promote women's empowerment through village savings and loans associations (VSLAs), and implement environmental conservation^{*1} and other preventive measures in communities.

We also work with other stakeholders in the cocoa industry on industry-wide initiatives. In 2022, the Group joined the Child Learning and Education Facility (CLEF)^{*2} and the Early Learning and Nutrition Facility (ELAN). CLEF is a coalition that aims to reach 5 million children and 10 million parents in cocoa-growing regions in Côte d'Ivoire and beyond. It focuses on access to quality primary education by constructing school infrastructure, training teachers in effective pedagogical practices, and engaging parents in their children's learning. The ELAN Initiative aims to provide quality services and training in early childhood development and nutrition to 1.3 million children below the age of five and their caregivers.

*1 See the section "Conserving and restoring forests" below.

*2 <https://www.clefcoalition.com/en/our-mission/> 

CLMRS (Child Labor Monitoring & Remediation System)



Community development and women's empowerment

(Location/scope: West Africa (Côte d'Ivoire, Ghana))

Our 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 facilitate the construction of social infrastructure, such as schools, health centers, maternity hospitals, and access to safe water in cocoa-producing communities.

Women play a huge role in ensuring food security and access to nutrition, education and health in cocoa-producing communities and their families. Our community development projects in Côte d'Ivoire and Ghana aim to empower women by creating economic opportunities for them. As part of these efforts, we offer literacy training courses for women and established village savings and loans associations (VSLAs). The VSLAs are women-led self-managed groups that offer access to savings and loans to their members for investing in existing or new micro-businesses, funding children's education and other urgent family needs. These initiatives have made a significant impact, leading to growth of activities with similar concepts.


Conserving and restoring forests (Location/scope: Mainly Ghana and Côte d'Ivoire)

GRI: 304-3

Our Group is committed to ensuring long-term benefits for cocoa farmers and their communities, reducing our carbon footprint, achieving a supply chain free of deforestation, and conserving and restoring ecosystems. To achieve these commitments, we focus on promoting agroforestry.

Setting goals under our sustainable procurement commitment

Our Group has committed to planting one million trees in cocoa growing regions affected by deforestation by 2030. We have distributed over 371,000 saplings since 2020. In Ghana, we planted 160,000 trees between 2020 and 2022. And in 2023, we started a three-year project in Côte d'Ivoire in partnership with AgroMap,* an Ivorian company specializing in nature-based solutions. Through this partnership, we have planted more than 211,000 forest and fruit trees in total in Blommer's direct cocoa supply chain since 2023. The project promotes cocoa agroforestry and community reforestation, while also focusing on diversifying the income of cocoa farming households through initiatives to increase their income. Additionally, the project aims to build the resilience of producers and communities affected by climate change and help in carbon sequestration and protecting biodiversity.

*<https://agro-map.com/> 

Curbing deforestation through the Cocoa & Forests Initiative (CFI)

Blommer has been proactively participating in the Cocoa & Forests Initiative (CFI) since 2017. CFI's 35 participating companies, which account for 85% of global cocoa use, are working with the governments of Côte d'Ivoire and Ghana to end deforestation and promote the protection and restoration of forests in cocoa supply chains.

In 2023, Blommer renewed its commitment, pledging to support the second phase of CFI (CFI 2.0 2023-2025) focused on accelerating and scaling impacts through building collective action and co-investment in priority landscapes. The CFI 2.0 Action Plan* expresses the ambition to introduce the most impactful solutions in Phase 1, and innovative tools and interventions to curb deforestation, focusing on the detailed information we gained in Phase 1 for making the ambition a reality.

Since 2018, Blommer has distributed 1,587,981 shade trees and completed mapping of 90% of farm plots in our direct supply chain as part of CFI.

* Blommer publishes a CFI report annually on their website:

<https://www.blommer.com/sustainability/strategy/safeguarding-the-environment.php> 

Assessing and addressing deforestation risks

Since 2022, the Group has teamed up with Satelligence,* the world leader in geospatial forest monitoring, to assess and address deforestation risks in Côte d'Ivoire, Ghana, and Ecuador. We leverage satellite imagery to gain landscape- and farm-level insights that include canopy cover change, carbon loss/gain on and around cocoa farms, deforestation risk assessments, identification of shade

cocoa areas, and carbon sequestration monitoring. A real-time risk alert system also enhances Blommer's capacity to swiftly address the drivers of deforestation and forest degradation.

In 2024 we monitored a total of over 130,407 hectares in Côte d'Ivoire, Ghana, and Ecuador. No deforestation was confirmed during the 2023-2024 cocoa season.

* <https://satelligence.com/news/satelligence-and-blommer-partner-to-fight-deforestation-in-cocoa-areas> 

Deforestation assessment and carbon reduction with the World Cocoa Foundation (WCF)

Blommer has continued to develop cooperative arrangements with WCF,* Satelligence and other industry partners. In 2023, the company contributed to the development of standardized deforestation risk assessment (DRA) methodologies. They provide step-by-step technical guidance for WCF member companies to comply with the EU Regulation on Deforestation-free Products (EUDR). The methodologies are now integrated into the company's evaluation processes.

Blommer has also teamed up with WCF member companies on a project to streamline carbon accounting for cocoa since 2023. This resulted in the release of an official guidance on carbon accounting methodology as well as carbon reduction and carbon avoidance interventions, such as promoting shade-grown cocoa. Informed by this guidance and Satelligence data, Blommer will review its calculation of Scope 3 emissions for cocoa and continue to promote agricultural practices with low climate impact to deliver on Group's Scope 3 emissions reduction goals.

GHG Accounting Manual for Cocoa

<https://worldcocoafoundation.org/storage/files/wcf-quantis-ghg-accounting-for-cocoa-20250131.pdf> 

* <https://www.worldcocoafoundation.org/initiative/cocoa-forests-initiative/> 

Handling of certified cocoa-derived raw materials

Fairtrade

The following Group companies have obtained the Fairtrade International certification, which aims to promote sustainable development of smallholders and workers in developing countries. These two companies offer Fairtrade certified products in response to our customers' requests.

- Fuji Oil Europe (Belgium)
- Blommer Chocolate Company (U.S.)



The FAIRTRADE Mark

Fair Trade USA

Blommer Chocolate Company (U.S.) has obtained the Fair Trade USA certification since 2015.



Rainforest Alliance Certification

The following Group companies are certified in accordance with the supply chain requirements of the Rainforest Alliance* Sustainable Agriculture Standard, which is an international certification program aiming to create a better future for people and nature. Going forward, we will continue to work to meet the demands of our customers for responsible cocoa sourcing.



- The Fuji Oil Hannan Business Operations Complex and Kanto Plant (Japan)
- Industrial Food Services (Australia)
- PT. Freyabadi Indotama (Indonesia)
- Freyabadi (Thailand) Co., Ltd.
- Fuji Global Chocolate (M) Sdn. Bhd. (Malaysia)
- Fuji Oil Europe (Belgium)
- Harald Indústria e Comércio de Alimentos Ltda (Brazil)
- Blommer Chocolate Company (U.S.)
- Blommer Chocolate Manufacturing (Shanghai) Company Ltd. (China)
- Fuji Oil (Zhang Jia Gang) Co., Ltd. (China)

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

Sustainable Origins

Sustainable Origins* is our Group's sustainability program.

The program promotes sustainable cocoa and chocolate production by ensuring transparency, accountability, and ethical practices throughout the supply chain. This program aims to build a resilient cocoa supply chain so that farmers and local communities can thrive, human rights are protected, and natural capital is protected for future generations, based on the Fuji Oil Group's vision: "Together with our stakeholders, we will co-create a sustainable future for food, based on plant-based ingredients that are both delicious and healthy."



Companies implementing the program:


- Fuji Oil Co., Ltd.
- Blommer Chocolate Company (U.S.)

* <https://fujioil-sustainableorigins.jp/>  (Japanese)

Initiatives in Japan (Membership in the Platform for Sustainable Cocoa in Developing Countries)

Fuji Oil Co., Ltd. joined the Platform for Sustainable Cocoa in Developing Countries,* an initiative with the Japan International Cooperation Agency (JICA) acting as Secretariat. We have endorsed the Action Plan to Eliminate Child Labor in the Cocoa Industry, which was released by the platform.



* <https://www.jica.go.jp/activities/issues/governance/platform/index.html>  (in Japanese)

Metrics and targets

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

Medium- to long-term goals	KPI		FY2024 Goals	FY2024 Results	Self-assessment
	2030	2025			
One million trees planted ^{*1}	One million trees planted	500,000 trees planted	Plant 62,000 trees across our direct supply chain to progress toward the Group goal of one million trees (Côte d'Ivoire)	Planted 70,023 trees in Côte d'Ivoire with partner AGRO-MAP	○
Increase traceability and transparency			Maintain GPS mapping for 90% of farmers to improve direct supply chain and traceability systems	Completed mapping of 90% of direct supply chain	○
Support farmers and improve farm resilience			Continue GAP ^{*3} trainings for farmers across our Group's direct supply chain	24,281 farmers participated in GAP trainings	○
			As part of CFI commitment, Blommer to distribute approx. 165,000 shade trees saplings to plantations and vicinity (Côte d'Ivoire, Ghana)	Total 224,927 saplings distributed, including 58,348 by Blommer <ul style="list-style-type: none"> • Côte d'Ivoire: 46,952 • Ghana: 11,396 	○
Conserve forests			Assess deforestation related to the supply chain using data provided by Satelligence ^{*4} and conduct deforestation risk assessment for over 131,000 hectares of land	Conducted deforestation risk assessment for 130,407 hectares in Côte d'Ivoire, Ghana, Ecuador	○
End child labor	End child labor	No worst forms of child labor ^{*2}	Continue implementing Child Labor Monitoring and Remediation System (CLMRS) in farmer communities across our direct supply chain ^{*5}	100% of farmer groups across our direct supply chain are covered by CLMRS	○
			Provide support for women's empowerment in 110 communities across our direct supply	458 VSLAs ^{*6} are active in 114 communities related to our supply chain	○

Medium- to long-term goals	KPI		FY2024 Goals	FY2024 Results	Self-assessment
	2030	2025			
			chain (Côte d'Ivoire, Ghana)		

*1 We plan to plant a variety of shade tree saplings, totaling one million trees over a ten-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 Labor, 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 Good Agricultural Practices

*4 See the section “Conserving and restoring forests”

*5 In West Africa

*6 See “Community development and women’s empowerment”

Analysis

To implement the Responsible Cocoa Beans Sourcing Policy formulated in August 2018, we set KPIs in June 2020 and determined a direction for our efforts over the next ten years. Since Blommer became a part of our Group in 2019, the company has been leading our initiatives and playing a major role in the sustainable procurement of cocoa.

Going forward, 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.

Next steps

Crucial elements of our initiatives include raising the income of farming households, protecting children, providing educational opportunities to cocoa farming families, empowering women, and conserving and restoring forests. To address these issues, we set the following goals for FY2025:

- Maintain GPS mapping of 90% of farms in direct supply chain and improve traceability system
- Continue introducing the Child Labor Monitoring and Remediation System (CLMRS) in farmer communities across our direct supply chain
- Provide support for women’s empowerment in 78 communities across our supply chain (Côte d’Ivoire, Ghana)
- Continue GAP training to farms across our direct supply chain
- Plant 65,000 trees across our direct supply chain to continue our initiative to plant one million trees (Côte d’Ivoire)
- Assess deforestation related to the supply chain using data provided by Satelligence and conduct deforestation risk assessment for over 19,000 hectares of land
- Distribute around 38,000 saplings for a wide variety of shade trees in and around plantations conducted by Blommer as part of our CFI commitments (Côte d’Ivoire, Ghana)

Specific initiatives

Participation in the World Cocoa Foundation (WCF)

The Fuji Oil Group has been a member of the World Cocoa Foundation (WCF)* since 2012. The WCF is a non-profit international membership organization whose mission is to foster collaboration among its members and beyond, in order to build a more sustainable cocoa sector and improve the lives of cocoa farmers and cocoa-growing communities.



Blommer is a founding member of the WCF and currently holds a seat on the WCF Board. The company has demonstrated a leadership role through participation in WCF flagship programs, such as the African Cocoa Initiative, the Cocoa Livelihoods Program, Cocoa Action, and the CFI.

Blommer delivered on the Group's CFI commitment: 224,927 multipurpose trees were distributed for off-farm and on-farm planting (Côte d'Ivoire, Ghana).

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

Participation in the European Cocoa Association (ECA)

Fuji Oil Europe (Belgium) is a member of the European Cocoa Association* and has been participating in the ECA Sustainability Working Group since 2019.

* <https://www.eurococoa.com/en/> 

Supporting cocoa farmers

Our Group directly supports cocoa farms in Côte d'Ivoire (since 2004), Ghana (since 2014) and Ecuador (since 2013). By providing tools and training based on established agricultural technologies, we encourage farmers to adopt Good Agricultural Practices (GAP) and climate-smart cocoa practices.* Pruning is particularly important in GAP, so we launched service groups focused on pruning at the community level in order to provide willing farmers with paid labor services. Although there are major challenges such as pests, diseases, and changes in climate patterns (particularly rainfall), we hope that the adoption of GAP will ultimately improve the resilience of farms.

Farmers and farmer groups that participate in the program receive a premium for the cocoa covered by this initiative. Premiums are paid as compensation for the additional work required to comply with the Group's internal and third-party standards, and supply traceable and sustainable cocoa beans. The premiums paid to farmers also directly contribute to improving their household income. Farmer groups are also encouraged to reinvest a percentage of their premiums into social initiatives that benefit all cocoa farmers, such as the construction and repair of classrooms, school cafeterias, and water pumps.

* Climate-smart cocoa practices: A sustainable agricultural approach aimed at mitigating and adapting to climate change impacts in growing cocoa. The focus is on improving the resilience of cocoa cultivation, reducing greenhouse gas emissions and promoting sustainable farming practices.