

Sustainable Procurement of Shea Kernels



Material Issue

Sustainable Procurement

Policy

The Fuji Oil Group formulated the Responsible Shea Kernels Sourcing Policy in July 2021, and set medium- to long-term goals and KPIs. We will work toward a sustainable future by fulfilling the following three commitments set forth in the policy.

- Conserve parkland where shea trees grow: Plant 6,000 saplings of shea trees and other native trees every year in the region
- Encourage rural development and environmental initiatives: Empower the women involved in the shea kernel industry and improve production capacity of their cooperatives
- Local value creation: Create employment, including training on operational skills, quality and safety, and create high value-added products in the communities

Responsible Shea Kernel Sourcing Policy (PDF, 945KB)

Governance

The Group's Sustainability Committee*¹ is an advisory body to the Board of Directors that is chaired by the President and CEO. It deliberates on and monitors the material ESG issue*² of Sustainable Procurement from a multi-stakeholder perspective, and recommends the results to the Board. Under the supervision of the Chief Strategy Officer (CSO), Fuji Oil Ghana Ltd. cooperates with business divisions of Fuji Oil Holdings Inc. to promote initiatives for Sustainable Procurement of Shea Kernels, a priority action within this material issue.

*1 Governance, Strategy, Metrics and Targets, Risk Management > Governance
https://www.fujioilholdings.com/en/sustainability/sustainability_management/

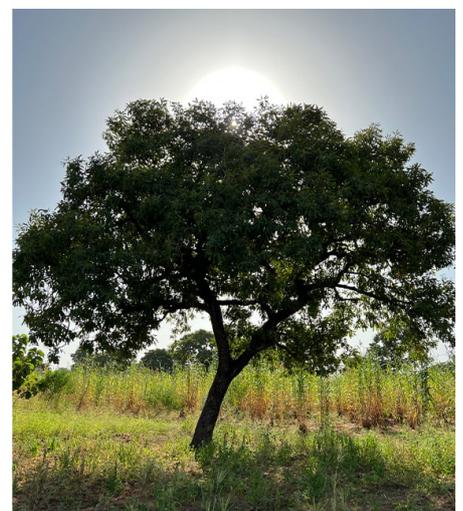
*2 Governance, Strategy, Metrics and Targets, Risk Management > Strategy, metrics and targets
https://www.fujioilholdings.com/en/sustainability/sustainability_management/

Strategy

Shea trees grow naturally in the Sahel region of sub-Saharan West Africa (Burkina Faso, Mali, Ghana, Côte d'Ivoire, Benin, Togo, and Nigeria). The shea butter extracted from shea kernels (embryos in the seed) is an important raw material in the Group's vegetable oils and fats business. Shea butter is a very versatile oil suitable for various uses including foods, confectionery, and skin care, and is widely used as a cocoa butter equivalent (CBE). Shea nuts are harvested by women in rural districts of the Sahel region, who also carry out the primary processing (boiling, shelling, and drying). To ensure sustainable use of shea butter, it is extremely important to train farmers on topics such as quality improvement and commercial transactions, as well as to maintain shea tree numbers through planting programs and protect their value. This is why we conduct the following activities based on the Responsible Shea Kernel Sourcing Policy.

- Continually improve traceability to the regional level
- Continually increase the amount of shea kernels procured from women's cooperatives we've partnered with through the Tebma-Kandu program*¹

GRI : 2-6

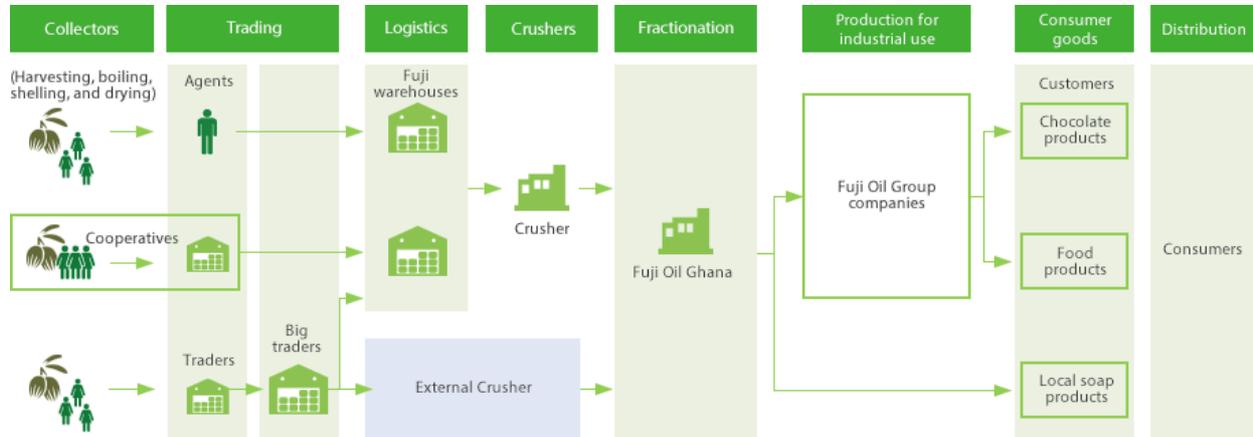


Shea trees growing naturally in West Africa

- Contribute to conserving parkland by planting saplings and promoting sapling management training in regions with Tebma-Kandu cooperatives
- Create value, employment, and worker training opportunities in West African regions through local processing of shea kernels and butter
- Improve our environmental footprint by switching to non-fossil fuels*2 for energy at the Fuji Oil Ghana Ltd. factory

*1 See the Tebma-Kandu program for details.

*2 Using non-fossil fuel sources such as shea kernel meal.



Risk management

Sustainable Procurement Management > Risk management
<https://www.fujioilholdings.com/en/sustainability/procurement/>

The Tebma-Kandu program (Location/scope: Ghana)

Fuji Oil Ghana Ltd. processes the shea butter extracted from shea kernels at its own factory. The majority of oil extraction is performed by partner company Ghana Nuts Company Limited, but we also procure from other external oil mills. Building a sustainable supply chain is important in operating this business.

In efforts to realize the Responsible Shea Kernel Sourcing Policy, the Tebma-Kandu shea kernel sustainability program was started in 2021 together with 23 women’s cooperatives located in the north of Ghana. Now in its fourth year, there are an increasing number of women’s cooperatives that wish to join the program. By providing this growing membership of registered cooperatives with pre-financing and training in business skills, cooperative management and quality management, we aim to improve their abilities and help create value for local communities. The program has also started using warehouses built to store harvested shea kernels for generating alternative income during the off season.

In FY2023, the number of women’s cooperatives in the program from which Fuji Oil Ghana Ltd. procures directly increased to 52, and we additionally began working with suppliers that agree to the goals of the program. Because they comply with our Group policies and support the women’s cooperatives, indirect purchases from these suppliers will also now be considered procurement from the Tebma-Kandu program.

In FY2024, the number of cooperatives we deal with directly in the program is set to increase to 75. We will continue promoting the program in our supply chain, including both direct and indirect procurement.

* https://www.fujioilholdings.com/en/news/2021/_icsFiles/afiedfile/2021/03/11/20210311_news_e_Tebma-Kando.pdf

Metrics and targets

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

Medium- to long-term goals	KPI		FY2023 Goals	FY2023 Results	Self-assessment
	2030	2025			
Forest conservation, support to women's empowerment	6,000 trees planted/year	6,000 trees planted/year	6,000 trees planted/year	9,364 trees/year	○
	Traceability to the regional level, including procurement from Tebma-Kandu cooperatives*1: 75%	70%	50%	88% achieved	○
	Procurement of shea kernels from Tebma-Kandu program*2: 50%	30%	15%	19% achieved	○
	Percentage of shea kernels crushed and fractionated (separated) in West Africa: 100%	100%	100%	100% achieved	○
	Non-fossil fuel energy*3 used by Fuji Oil Ghana Ltd. (for steam generation): 100%	100%	100%	97.6% achieved	○
	Percentage of Group-donated warehouses being used to generate alternative income for Tebma-Kandu cooperatives: 80%*4	20%	—	—	—

*1 Cooperatives registered in the Tebma-Kandu program

*2 KPI changed from "Direct procurement of shea kernels from Tebma-Kandu cooperatives" to "Procurement of shea kernels from Tebma-Kandu program." We now include procurement volumes from partners that have agreed to the goals of the program in addition to the cooperatives we have been working with based on the philosophy of the Tebma-Kandu program.

*3 Shea olein created as a byproduct when fractionating shea butter is used as biomass fuel.

*4 A new KPI set in FY2024 after achieving our KPI for regional value creation of "Permanent, direct employees at Fuji Oil Ghana Ltd.: 50% increase (base year: 2017)" as of FY2022. This is the percentage of shea kernel storage warehouses donated by Fuji Oil Ghana Ltd. that are being used to generate income by storing other harvested products in vacant space or during periods outside of the shea season.

Analysis

In FY2023, the shea nut harvest was extremely good and we achieved almost all targets for the fiscal year. With regards to traceability, 88% of all purchased shea kernels were traceable to the regional level. It was less than 93.3% achieved in FY2022 because the volume purchased as shea butter from external oil mills increased. Of all purchased shea kernels, 19% were procured from the Tebma-Kandu program.

Partnership with registered cooperatives in the Tebma-Kandu program is maturing, and we have a positive relationship of trust that has greatly improved through prompt payment after purchase and close communication. There are now many cooperatives that are interested in joining the program. In efforts to promote further development, we are also conducting training to encourage utilization of shea kernel storage warehouses to generate alternative income outside of the harvest season. In FY2023, we also aimed for further expansion by extending procurement to partners that agree to the goals of the Tebma-Kandu program.

We plan to continue expanding the program in order to achieve long-term goals. In West Africa, deforestation of shea and other trees is reaching a critical level, and we see sufficient reforestation to be necessary. In addition to our program that plants 6,000 trees each year, we also take part in the Global Shea Alliance (GSA)* to amplify the pace of transplanting.

* A non-profit organization made up of companies, members of civil society, research institutions, governments, and other groups involved in the shea industry.

<https://globalshea.com/> 

Next steps

To work with an even greater number of partners, we aim to expand the Tebma-Kandu program and have set the following goals for FY2024.

- Plant 6,000 trees/year
- Traceability to the regional level: 70%
- Procurement rate of shea kernels from Tebma-Kandu program: 20%

Through rigorous and direct collaboration with the cooperatives and partners that conduct business in accordance with the philosophy of the Tebma-Kandu program, we will learn from our interactions with women in the cooperatives, conduct trainings, and implement other measures for financial support and better business practices according to their needs.

We are also working with Japanese start-up Degas,* a company active in northern Ghana, to expand our efforts to improve traceability by placing electronic tags on shea kernel cargo bags.

* Degas

<https://degasafrika.com/> 



Discussions with women's cooperatives, Tebma-Kandu partners

Specific initiatives

Collaboration with external organizations

Fuji Oil Ghana Ltd. joined the Global Shea Alliance (GSA) in 2013. The primary activities of these organizations are:

- Providing warehouses to store shea kernels and create other sources of income
- Business training for women
- International development of shea products
- Occupational health and safety initiatives
- Training on the management of parkland conservation
- Research and development of afforestation materials
- Pilot projects for parkland conservation

Conserving parkland where shea trees grow (Location/scope: Ghana)

In northern Ghana, shea trees are being felled at a critical pace in order to clear land, and are also increasingly cut down for use as charcoal.

In FY2023, we worked with local company Eco Restore to plant 9,364 saplings of shea and other native trees. We also provided land for the company to plant saplings. Training in appropriate cultivation techniques is important to improve the survival rate of the saplings. Another one of our initiatives is teaching children at schools the importance of and value in conserving trees. We plan to continue conducting training as well as planting trees in FY2024.



Training in looking after saplings

Reducing environmental impact by shifting energy sources (Location/scope: Ghana)

Fuji Oil Ghana Ltd. is shifting its production energy use from mineral oils to non-fossil fuels, such as by converting a portion of shea kernel meal and other byproducts of the shea butter production process into fuel, in order to reduce CO₂ emissions and waste during shea kernel and shea butter processing. Using fuel from byproducts also reduces the use of firewood, leading to less deforestation, water savings, and reduced energy costs. We aimed to use 100% non-fossil fuel energy at this factory, but boiler issues resulted in just barely missing the target at 97.6%.