

**Progress Report on the Responsible
Palm Oil Sourcing Policy
January 2021 - June 2021**



Our ambition

The Fuji Oil Group Responsible Palm Oil Sourcing Policy

The Fuji Oil Group (FUJI) formulated and announced its Responsible Palm Oil Sourcing Policy in March 2016. The Responsible Palm Oil Sourcing Policy outlines commitments towards a No Deforestation, No Peatland and No Exploitation (NDPE) policy for all palm oil production within our supply chain.

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

KPIs towards NDPE

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

1. Traceability to Plantation

- 100% by 2030

2. Labor Transformation Program (LTP) implementation rate

- 100% for all suppliers of Palmaju Edible Oil Sdn. Bhd. (Malaysia) by 2025
- 100% for all direct suppliers by 2030

About the report

The progress on our initiatives to implement the Responsible Sourcing Policy is shared every six months to our stakeholders. This report focuses on new developments of traceability and supply chain improvement activities to promote NDPE, made since January 2021 to June 2021.

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1. Traceability

Outline

Supply chain traceability has become one of the cornerstones of responsible sourcing in the past decade for palm oil markets. Fuji is committed to supply chain transparency as stated in our Responsible Palm Oil Sourcing Policy and will continue to strengthen engagement with suppliers to achieve and maintain full traceability to raw material origins.

Progress

We are proud to announce that we have achieved a global palm oil traceability to mill (TTM) score of 100% for the period from January 2021 to June 2021, which is consistent with the last reporting period.

We also achieved global palm oil traceability to plantation (TTP) score of 84 % for the same reporting period. This represents an extra ordinary improvement over the scores of 59 % and 54 % for the same period in 2020 and 2019, respectively.

However, the score might vary from time to time due to the large number of production smallholders. We are trying our best to reach all smallholders in our supply chain, working closely with our key suppliers particularly in improving transparency in the supply chain, traceable to the plantation level. Needless to say, we will continue to work towards 100 % TTP in the shortest time possible to fulfill our commitments.

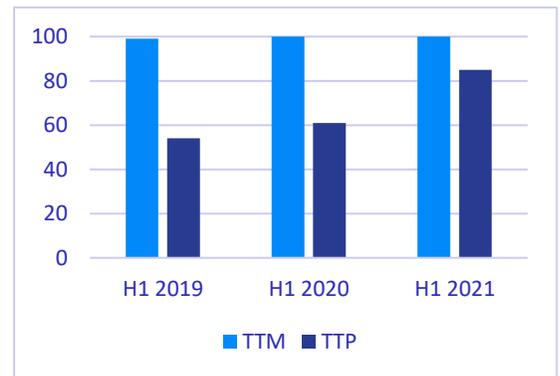


Figure 1: Global Traceability Scores

2. Transformation Activities for Palmaju Supply Chain

Activity Overview

As part of the policy implementation strategy, we employ an Aggregator Refinery Transformation Plan (ART) for suppliers in the supply chain of Palmaju Edible Oil, 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. Tools for Transformation**, **B. Engagements to implement "No Exploitation" commitments (LTP)** and **C. Engagements to implement "No Deforestation" commitments**.

A. Tools for Transformation (T4T)

Outline

Fuji has been using the Tools for Transformation Self-Assessment (T4T) to scale up our transformation efforts and to help our palm oil suppliers to self-assess their practices while understanding where they stand against Fuji Oil Responsible Palm Oil Sourcing Policy requirements. At the same time, practical recommendations are quickly provided to suppliers on T4T, ensuring suppliers receive actionable guidance from Fuji to meet its policy. The tool is useful to both suppliers and us to understand the supplier's current status versus Fuji's Policy.

Progress

In H1 2021, Fuji's suppliers, particularly from the Palmaju supply chain, have continued to show support in updating the Self-Assessment questionnaire by continuing to record and keeping track of their progress and gaps. We could get suppliers' response to the questionnaire and capture their status. Continuous implementation of T4T enabled us to understand suppliers' progress. Progress tracking over a 3-year period is now possible. We will continue to monitor, support and work together with suppliers to achieve NDPE commitments.

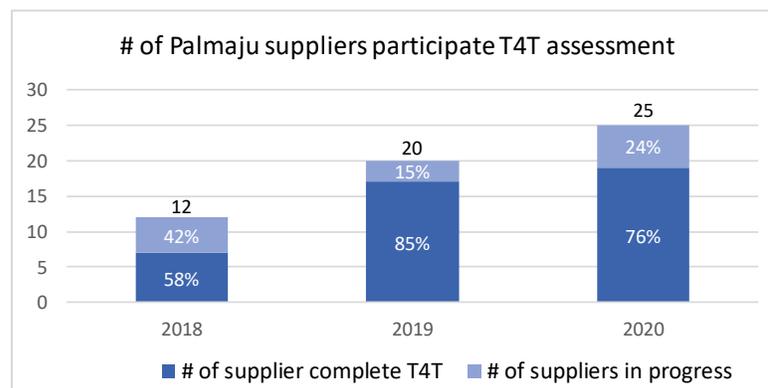


Figure 2: # of Palmaju suppliers (mill) participate T4T assessment

2. Transformation Activities for Palmaju Supply Chain

B. Engagements to implement “No Exploitation” commitments (LTP: Labor Transformation Program)

Outline

To effectively engage suppliers at their own operations, Fuji launched the Labour Transformation Programme (LTP). The LTP enables supplier to identify labour issues, to build their internal system and capacity to address the issue. In collaboration with the non-profit Earthworm Foundation, our partner for promoting palm oil sustainability, we have been engaging direct suppliers of Palmaju Edible Oil Sdn. Bhd..

Progress

Two on-going LTP engagements were planned for completion in H1 2021 and two additional engagements were to be started over the same period with key entities within the Palmaju supply chain. The visits were expected to be carried out as scheduled, however, the continued rise in the COVID cases across Malaysia and restrictions of inter-state movement prevented the team from completing the on-ground visits and assessments. The Fuji team has been in close communication with our suppliers and have considered conducting the visits through virtual engagements. This method would enable assessments to be implemented despite the restrictions imposed due to the unprecedented safety situation we are all facing across the globe. All activities (virtual and on-site when feasible) have now been re-scheduled for H2 2021. As of H1 2021, 40% of Palmaju suppliers have adopted LTP in total.

C. Engagements to implement “No Deforestation” commitments

Outline

We continue our efforts in Malaysia to address deforestation pressures arising from oil palm development, through engagement with stakeholders. This translates into engaging supplier mills to Fuji’s Palmaju refinery to develop and refine systems and processes that can ensure deforestation-free supplies of fresh fruit bunches (FFB). This will also include actors in the supply chain like FFB dealers who play an important role connecting smallholder farms to the mill. With the traceability to plantation information obtained through the engagement, we are confirming the No-deforestation status using satellite technology.

Progress

Mill Level No Deforestation engagements: Two scheduled engagements were affected due to the worsening COVID situation in Malaysia in H1 2021. The teams were unable to make progress at the ground-level with movement restrictions in place that disallowed any inter-state travel.

Verified Deforestation Free performance:

Through our collaboration with EF and other stakeholder, we have been able to determine that 83 % of our supply chain (estates and smallholders included) in Peninsular Malaysia through our Palmaju refinery is Deforestation Free (against 70% during the previous reporting period), based on supply chain data such as satellite monitoring data and traceability data. Fuji is committed to continue to improve our TTP data to ensure we are able to verify and meet our 100 % No Deforestation commitment.

3. APT* Landscape Initiative

* Areas for Priority Transformation

Outline

Fuji has been supporting the Aceh Tamiang Landscape in Indonesia since 2018 to address deforestation and demonstrate the feasibility of balancing commodity production, conservation and good social and labor practices at scale. Indonesia remains a key sourcing supply for our supply chain and we remain committed to this Landscape, in collaboration with our sustainability implementation partner Earthworm Foundation.

Progress

Indonesia had been hit hard with Covid-19 outbreak towards the end of June 2021. Despite these challenges, meaningful progress was made.

- Following the completion of the Aceh landscape diagnostic desktop research and risk assessment, five districts were proposed as potential intervention areas, with Subulussalam selected as the pilot location for the first year. At the same time, the EF team presented the diagnostic study results to the Subulussalam District's Office of Agriculture, Office of Manpower, and the Regional Development Planning Agency (BAPPEDA) for feedback and input.
- Engagement with PT Laot Bangko, regarded as one of the long-standing deforestation actors, led to the establishment of a grievance mechanism as well as mentoring in conflict resolution and smallholder relationship building.
- EF held a coordination meeting with various local government offices to socialize the project activity plan, which included plans to work on issues of deforestation, land tenure, alternative livelihoods, replanting programs for oil palm smallholders, labour, and food security. Following the engagements, we secured support from the local government to conduct Participatory Mapping (map with land ownership information) and Land Tenure Study workshops in the Subulussalam District.
- A baseline study, one of the most temporally and spatially comprehensive assessments of land sector carbon conducted across the Aceh Landscape, was conducted to estimate greenhouse gas emissions linked to land use change between 2000 and 2019.



Figure 3: Aceh Landscape area, Indonesia



Figure 4: Multi-stakeholder workshop convened by the Subulussalam local district government and led by Earthworm Foundation.

4. Smallholder supporting project

Outline

Small holder inclusion into sustainable palm oil production is one of the biggest industrial issue. To help smallholders acquire the know-how for operating environmentally, socially and economically sustainable plantations, in January 2016 the Fuji entered into a partnership with other companies and the non-profit organization, Wild Asia, to support smallholders via the Wild Asia Group Scheme (WAGS).

Fuji contributes to 2 projects in Sabah (Malaysia). **Certification project** supports small holder to improve their farm management practice to get RSPO and MSPO certification through training and technical support. **WAGS BIO project** train farmers for cultivation methods with the goal of raising smallholders' income and improving soil health and below-ground biodiversity on the plantation. By showing farmers how to make fertilizer from waste generated on the plantation, such as palm leaves that are trimmed, they can cut their use of chemical fertilizers — and therefore costs. Some of these farmers on the WAGS BIO regime have also reported small increase in yields and health of palms.

Progress

Despite the pandemic, the team could continue to support for smallholders. For **Certification Project**, 117 small holders in Sabah had been provided trainings and certification administrative supports, by FUJI's contribution from June 2020 to May 2021. During the state's covid travel restrictions, efforts were focused on data management and once travel restrictions are lifted, the team was able to implement field work and visit farms. The total number of small farmers FUJI has been supported for certification through WAGS since January 2016 is 423. We are very proud of this long term steady initiative for small holder inclusion.

WAGS BIO project is now in the pilot stage, focusing on establishing more BIO pilot farms; In the reporting period, the project newly designated 5 plots as a BIO Farm, which fulfill the BIO Farm criteria defined by Wild Asia. Some farms were enabled not only for reducing chemical fertilizer costs, but also earning by the cash crops integrated into their oil palm farms with steady yields.



Figure 5: Training to make BIO fertilizer from compost leaves



Figure 6: Sprinkling BIO fertilizer around oil palm trees



Figure 7: Cash crops in oil palm farms at WAGS BIO farm

Announcement

Alignment series of reporting

In the past, Fuji Oil has communicated its progress on the Responsible Palm Oil Sourcing policy to stakeholders through several channels, including the Integrated Report, Sustainability Report and the Responsible Palm Oil Sourcing Policy Progress Report.

Starting this year, Fuji Oil will integrate the Responsible Palm Oil Sourcing Policy Progress Report and the Sustainability Report to simplify and communicate its progress clearly and effectively to stakeholders. The Sustainability Report will include information on all key projects and activities in place aimed at implementing NDPE. Additionally, it will describe the progresses of these activities on an annual basis. The Responsible Palm Oil Sourcing Policy Progress Report will be a mid-year update of the information included in the Sustainability Report. This update will provide 6-month key developments after the sustainability report's reporting period. This new format will be implemented in the Fiscal Year 2022. The change is intended to improve readability and reporting efficiency. Reporting Principles will not be affected by this change. The latest information on Traceability and Grievance progress will continue to be updated through the [Supply Chain Data Base](#) and [Grievance list](#).

Upcoming Progress Updates:

Sustainability Report 2022 (H2 2022)

Responsible Palm Oil Sourcing Policy Progress Report, 6-month update (H1 2023)