

**Sustainability Report 2018**



**CSR Management**

- ▶ Priority themes for contributing to society through our business
- ▶ Business and Human Rights
- ▶ Communication with stakeholders
- ▶ Social Contribution Activities



**Solutions through Creation of Foods**

- ▶ Using Plant-Based Ingredients to Provide Solutions for Shortages of Food Resources
- ▶ Contributing to Healthy Life Expectancy with Delicious Ingredients
- ▶ Research and Development to Accelerate Innovation



**Safety, Security and Quality of Foods**

- ▶ Ensuring thoroughgoing food safety and quality



**Sustainable Procurement**

- ▶ Sustainable Procurement of Main Raw Materials
  - Palm Oil
  - Cacao
  - Soybeans
  - Shea Nuts
- ▶ Stable procurement of raw materials



**Environment**

- ▶ Environmental Management
- Efforts by Theme -



**Hitozukuri (Fostering People)**

- ▶ Human resource development



**Health Management**

- ▶ Promoting Occupational Safety and Health



**Risk Management**

- ▶ Effective Risk Management

- 1. Reduction of CO<sub>2</sub>emissions
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  - 3. Waste reduction
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  - 5. Reduction of packaging materials
  - 6. Biodiversity
- ▶ Achievement of Diversity
  - ▶ Penetration Awareness of Compliance
  - ▶ Maintainance and Promotion Employee Health
  - ▶ Creation of a Corporate Governance System

<b>Scope of Coverage of Report</b>	Presents CSR-related activities of the Fuji Oil Group
<b>Period Covered</b>	FY 2017 for FUJI OIL HOLDINGS INC. and Group companies in Japan (April 1, 2017 - March 31, 2018) and for Group companies outside Japan (January 1, 2017 - December 31, 2018)
<b>Company Names</b>	Company names are presented as follows: Fuji Oil Holdings: Fuji Oil Holdings Inc. (holding company) Fuji Oil Co., Ltd.: Regional headquarters in Japan The Fuji Oil Group/the Group: All Group companies in Japan and overseas, including Fuji Oil Holdings Inc.
<b>Date of Publication</b>	July 2018 (Japanese version) September 2018 (English and Chinese versions)

## Sustainability Report Back Issue

- ▶ 2017 (4.97MB) 
- ▶ 2016 (6.4MB) 
- ▶ 2015 (8.1MB) 
- ▶ 2014 (5.1MB) 
- ▶ 2013 (13.8MB) 
- ▶ 2012 (5.3MB) 
- ▶ 2011 (4.3MB) 

**Sustainability**

# CSR Management

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**Basic approach to CSR**

The Fuji Oil Group's CSR is to continuously fulfill the mission of the Group Management Philosophy: "The Fuji Oil Group seeks to develop the potential of food ingredients. We will contribute to the happiness and well-being of the people by offering delicious and healthy food." Recognizing that a company is a social entity, we believe that CSR entails working to understand the expectations and concerns of stakeholders and contributing to the sustainable development of society through our business activities.

**Overview of activities**

**Four categories of CSR activities**

The Fuji Oil Group has classified its CSR activities into the following four categories and sets forth activity guidelines for each.

Category	Activity guidelines
<b>1. Strategic activities</b>	Contribute to resolving social issues through businesses and products.
<b>2. Basic activities</b>	Reduce and rectify the adverse impacts on society from our business processes.
<b>3. Social contribution activities</b>	Contribute to the development of local communities as a good corporate citizen.
<b>4. Communication with stakeholders</b>	Communicate with stakeholders in a highly transparent manner and in good faith.

## Promotion System

### Promotion system

Based on the idea that CSR is the essence of management, we have established the ESG Committee as an advisory body to the Board of Directors of Fuji Oil Holdings. The ESG Committee meets twice a year or more to discuss issues and strategies for the Fuji Oil Group to continue fulfilling its corporate social responsibilities. We invite outside experts as advisors to the committee so that it can incorporate the perspective of society. The committee submits the results to the Board of Directors twice a year and receives reviews from the Board of Directors. As of April 2018, the ESG Committee consists of five subcommittees; the Solutions through Creation of Foods Subcommittee; the Safety, Quality and Environment Subcommittee; the Human Resources Development Subcommittee; the Sustainable Procurement Subcommittee; and the Governance Subcommittee. The chairperson of each subcommittee is responsible for the group-wide application of the themes dealt with by his or her subcommittee.



## Educational and awareness-raising activities

We conduct educational and awareness-raising activities for the Fuji Oil Group employees to inform them of the Group's basic approach to CSR, its CSR activities, and society's expectations of the Fuji Oil Group so that each employee practices CSR through his or her work.

<Examples of activities>

- Dissemination of CSR information via the intranet (Japanese/English)
- Explanation of social trends (human rights/climate change risk) and the Fuji Oil Group's initiatives at the 26 group companies where a Risk Management Committee has been established, etc.

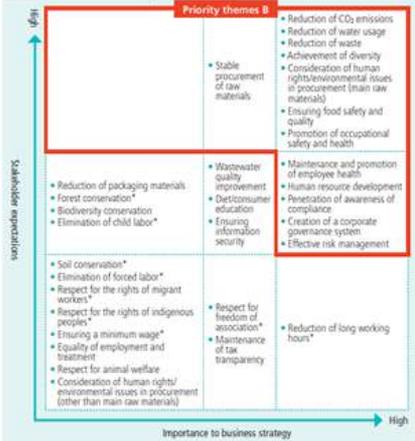
## Priority themes for contributing to society through our business

### Basic approach

To realize contributions to the sustainable development of society as well as its own sustainable growth and the creation of value for society through its business activities, the Fuji Oil Group has set topics requiring particular effort as CSR priority themes.

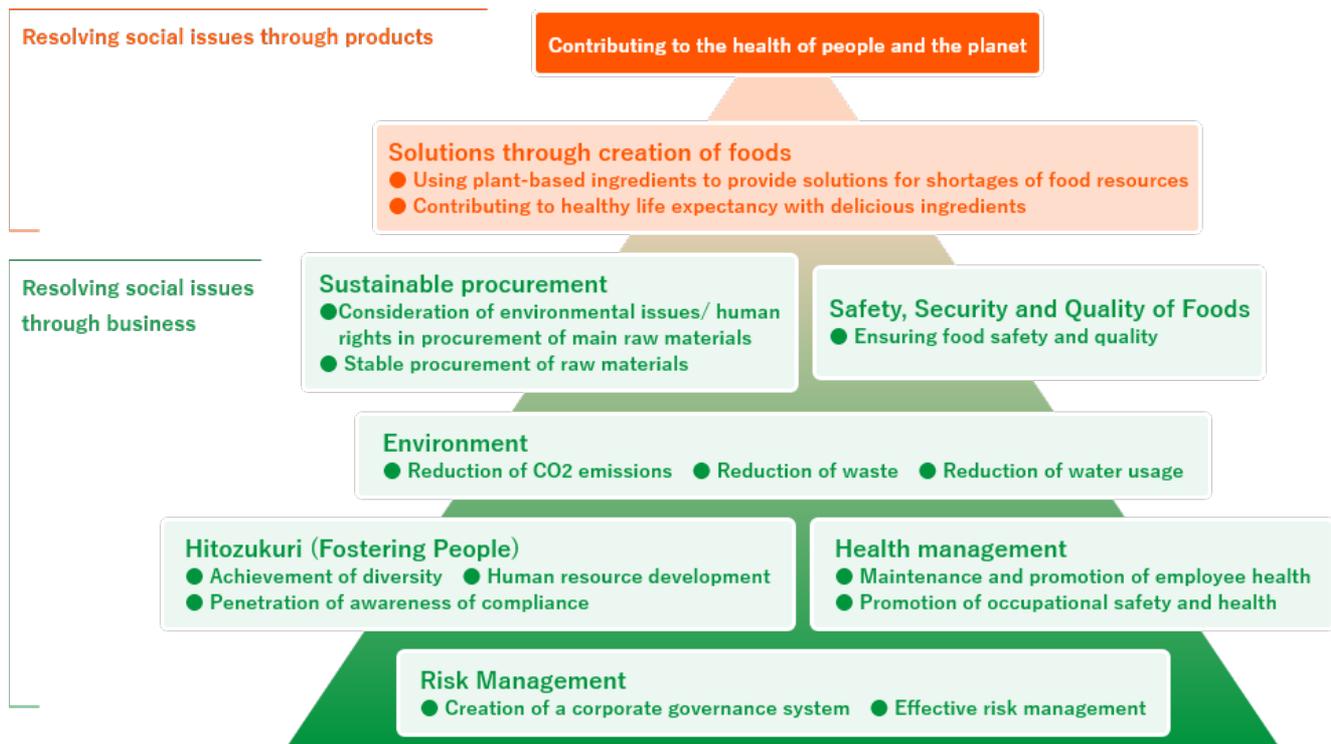
# Specification process

In light of society's progressively growing and changing expectations toward companies, we reviewed our CSR priority themes (materiality) between December 2017 and March 2018.

Steps	Activities				
<p><b>1. Listing of social issues</b></p>	<p>Receive advice from experts (NGOs) and list social issues based on the SDGs * 1 and other international CSR guidelines and benchmarks.</p> <p>* 1 United Nations SDGs (Sustainable Development Goals): 17 goals adopted by the United Nations General Assembly in 2015 to be achieved globally by 2030</p> <p style="text-align: center;"><b>Classification of social issues into two types</b></p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%; text-align: center;">A</th> <th style="width: 50%; text-align: center;">B</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"> <p>A. Social issues we can help resolve through our products (CSR Category: Strategic activities)</p> </td> <td style="text-align: center;"> <p>B. Social issues we can help resolve through our business processes (CSR category: Basic activities)</p> </td> </tr> </tbody> </table>	A	B	<p>A. Social issues we can help resolve through our products (CSR Category: Strategic activities)</p>	<p>B. Social issues we can help resolve through our business processes (CSR category: Basic activities)</p>
A	B				
<p>A. Social issues we can help resolve through our products (CSR Category: Strategic activities)</p>	<p>B. Social issues we can help resolve through our business processes (CSR category: Basic activities)</p>				
<p><b>2. Prioritization/ Validation</b></p>	<p>Review and specify social issues to which the Fuji Oil Group can contribute by demonstrating its strengths (technological capabilities, business locations, etc.)</p> <p>Create a materiality map * 2 and comparatively evaluate social issues.</p> <p>* 2 Materiality map Vertical axis: Stakeholder expectations (set based on advice from experts (NGOs) with reference to international guidelines, benchmarks, etc.) Horizontal axis: Importance to business strategy (set from the perspective of management approach and business strategy)</p>  <p>The materiality map is a 2x2 matrix. The vertical axis is 'Stakeholder expectations' (Low to High) and the horizontal axis is 'Importance to business strategy' (Low to High). A red box highlights the top-right quadrant, labeled 'Priority themes B'. This quadrant contains the following items: Reduction of CO<sub>2</sub> emissions, Reduction of water usage, Reduction of waste, Achievement of diversity, Consideration of human rights/environmental issues in procurement (main raw materials), Ensuring food safety and quality, Promotion of occupational safety and health, Maintenance and promotion of employee health, Human resource development, Penetration of awareness of compliance, Creation of a corporate governance system, and Effective risk management. Other items in the map include: Stable procurement of raw materials, Wastewater quality improvement, Detri-consumer education, Ensuring information security, Reduction of packaging materials, Forest conservation, Biodiversity conservation, Elimination of child labor, Soil conservation, Elimination of forced labor, Respect for the rights of migrant workers, Respect for the rights of indigenous peoples, Ensuring a minimum wage, Equality of employment and treatment, Respect for animal welfare, Consideration of human rights/environmental issues in procurement (other than main raw materials), Respect for freedom of association, Maintenance of tax transparency, and Reduction of long working hours.</p> <p>* Social issues considered to occur in Fuji Oil. Social issues in the supply chain are included in consideration of human rights/environmental issues (other than main raw materials)</p>				
<p><b>3. Approval</b></p>	<p>The above evaluation and study results were examined and revised by the ESG Committee, which includes one outside expert, to ensure that there were no omissions or redundancies.</p> <p>Submission by the ESG Committee to the Board of Directors of Fuji Oil Holdings for final approval.</p>				

## Specified priority themes

The Fuji Oil Group specified 15 priority themes and classified them into seven priority areas.



## Business and Human Rights

### Basic approach

The Fuji Oil Group has expressed the core value of "Work for people" in its Group Management Philosophy. This means that thinking from the position of people who could be affected as we conduct our business is the very spirit of respecting human rights. Our participation in the 2016 United Nations Forum on Business and Human Rights and dialogue with our stakeholders gave us the opportunity to reformulate our way of thinking about human rights, and in April 2017 we announced the Fuji Oil Group Human Rights Policy.

▶ [Fuji Oil Group Human Rights Policy PDF\(400KB\)](#) 

## Promotion System

We recognize that various business activities of the Fuji Oil Group, including employment, procurement and sale of products, can have an impact on human

rights. The CSR and Risk Management Group of Fuji Oil Holdings promotes respect for human rights throughout the Company, conducts overall control of human rights risk and works to put respect for human rights into practice in each department and workplace.

In addition, respect for human rights in the value chain has been incorporated in the CSR priority themes, and the ESG Committee, which is an advisory body to the Board of Directors, makes progress reports and examines issues for submission to the Board of Directors.

## **Educational and awareness-raising activities**

The Fuji Oil Group promotes educational and awareness-raising activities on business and human rights.

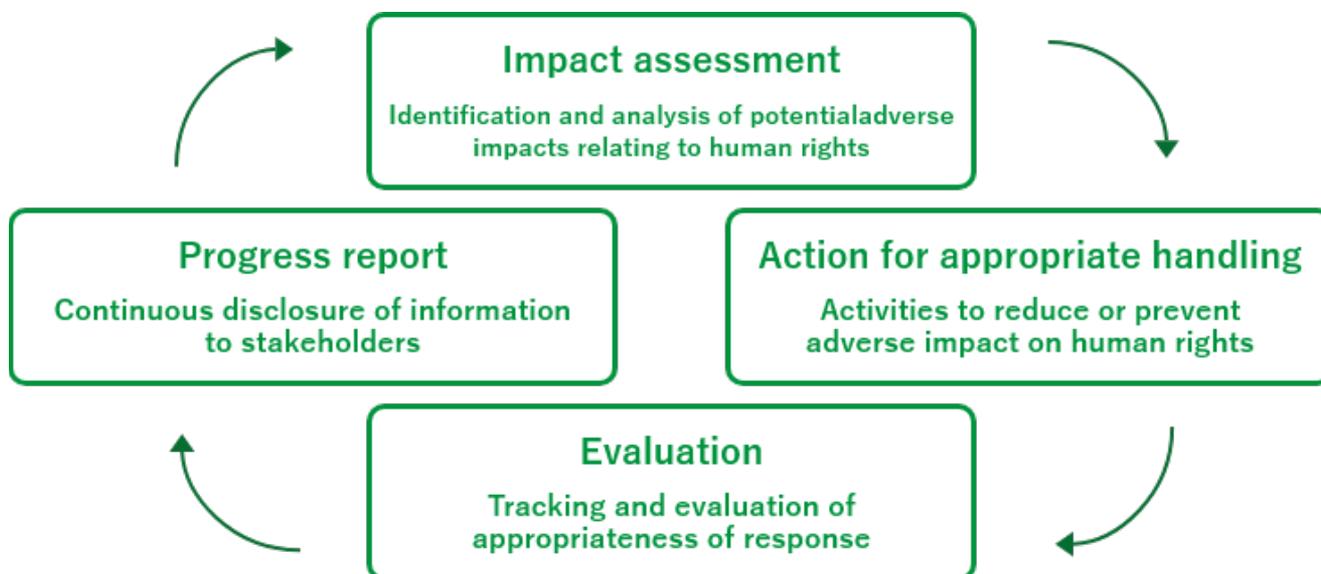
In FY 2017, we explained human rights and environmental risks and the Fuji Oil Group's basic approach to CSR to all Risk Management Committees established in Group companies (26 companies). As a result, some Group companies took measures to prevent human rights risks (risks associated with human rights violations through business activities). In addition, at Group companies in Japan, business and human rights were incorporated as an essential theme of the training conducted by each division in each company.

Going forward, we will promote the practice of respect for human rights in each employee's work by using the Company intranet system to proactively share information on business and human rights.

## **Human rights due diligence**

### **Human rights due diligence**

The Fuji Oil Group conducts human rights due diligence as a way of fulfilling its human rights responsibilities. As a result, we identify important risks that deal with preferentially, and then we will carry out~ education on human rights, promote sustainable procurement, and operate a grievance mechanism and other measures while consulting with and receiving evaluation from experts.



## Human rights impact assessment

### Human rights risk specification process

In FY 2016, the Fuji Oil Group conducted a human rights impact assessment to identify and evaluate the adverse impacts on human rights involved with its business activities and to identify key issues for priority handling. In the process of implementing the assessment, we gained insight not only from the involvement of related internal departments but also from Verisk Maplecroft and Caux Round Table Japan as external experts. For the first stage, based on Verisk Maplecroft’s expertise, we quantitatively assessed the human rights risks in which the Group’s business activities and operational areas could be involved. For the second stage, based on the results of the first stage, we conducted interviews with related parties in the company with the involvement of Caux Round Table Japan to reflect the actual situation of the Group as much as possible in specifying human rights risks.

### Specified human rights risks and countermeasures (Progress)

Risks for priority handling	Progress of risk countermeasures
Risk of the occurrence of problems relating to forced labor, human trafficking, occupational safety and health, appropriate wages, working hours, freedom of association and collective bargaining, particularly with respect to contract or temporary laborers used at	In FY 2017, the CSR and Risk Management Group of Fuji Oil Holdings explained human rights risks to the Risk Management Committees of 26 group companies and evaluated human rights risks in each company's risk assessment

<p>overseas group companies in Southeast Asia, China and Africa</p>	
<p>Risk of violations of the human rights of laborers in areas including working hours, appropriate wages, occupational safety and health, workplace discrimination, freedom of association and collective bargaining, forced labor and human trafficking at joint venture companies that are not substantially under the control of Fuji Oil Holdings or recently acquired group companies</p>	
<p>Risk of unintentional violations of the human rights of laborers in areas including working hours and workplace discrimination, particularly at overseas gro</p>	
<p>Risk of human rights violations in areas including human trafficking, forced labor, child labor, inappropriate wages, long working hours and seizure of land in the upstream portion of the palm oil supply chain</p>	<ul style="list-style-type: none"> <li>• In FY2017, the Fuji Oil Group promoted supply chain improvement activities at Palmaju Edible Oil Sdn. Bhd. (Malaysia), its primary palm oil refining company</li> <li>• In March 2018, conducted engagement (active approach) with major suppliers</li> <li>• In May 2018, established and announced a grievance mechanism (for processing complaints) based on the Responsible Palm Oil Sourcing Policy</li> </ul>
<p>Risk of human rights violations in areas including child labor, forced labor, human trafficking, appropriate wages and long working hours in the upstream portion of the cacao supply chain</p>	<ul style="list-style-type: none"> <li>• We began considering our Responsible Cacao Sourcing Policy in the second half of 2017 and formulated it in August 2018.</li> </ul>
<p>Risk that the Fuji Oil Group Human Rights Policy will not be reflected at an operational level in employee behavior due to absence of human rights training</p>	<ul style="list-style-type: none"> <li>• In FY 2017, the CSR and Risk Management Group of the Company explained human rights risks to the Risk Management Committees of 26 group companies and evaluated human rights risks in each company's risk assessment</li> </ul>

	<ul style="list-style-type: none"> <li>• In FY 2017, “business and human rights” was handled as an essential theme in training by divisions at Group companies in Japan</li> </ul>
Risk of inability to accept and handle complaints from laborers at suppliers and from local residents (absence of grievance mechanism)	<ul style="list-style-type: none"> <li>• In May 2018, established and announced a grievance mechanism (for processing complaints) based on the Responsible Palm Oil Sourcing Policy</li> </ul>

## Grievance mechanism

### Grievance mechanism for employees

We have established an internal reporting system for employees of group companies inside and outside Japan and employees of some cooperating companies.

Note: See the Fuji Oil Group website for details.

- ▶ <https://www.fujioilholdings.com/en/csr/human/>

### Grievance mechanism for supply chain

In May 2018, we established and announced a grievance mechanism based on our Responsible Palm Oil Sourcing Policy. We have established a Grievance Mechanism web page in English on the Fuji Oil Group website to announce the mechanism and its progress.

- ▶ [https://www.fujioilholdings.com/en/csr/grievance\\_mechanism/](https://www.fujioilholdings.com/en/csr/grievance_mechanism/)

## Communication with stakeholders

<p><b>Basic approach</b></p> <p>As a member of society, the Fuji Oil Group considers honesty, transparency and two-way communication with stakeholders essential for understanding and meeting their expectations. Stakeholder opinions and comments are used to improve the Group's business activities.</p>
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## Dialogue and cooperation with stakeholders

### The Fuji Oil Group's stakeholders

The Fuji Oil Group has identified major stakeholders on whom its business activities can exert a positive or negative impact as follows.

Main stakeholders	Communication
Employees	<ul style="list-style-type: none"><li>• Employee training</li><li>• Compliance hotline</li><li>• Employee satisfaction survey</li><li>• Intranet, company newsletter, etc.</li></ul>
Shareholders and investors	<ul style="list-style-type: none"><li>• General Meeting of Shareholders</li><li>• Informal shareholder gatherings</li><li>• Results briefing/teleconference</li><li>• Small meetings, etc.</li></ul>
Customers	<ul style="list-style-type: none"><li>• Daily sales activities</li><li>• Co-Creation Forum, etc.</li></ul>
Consumers	<ul style="list-style-type: none"><li>• Customer inquiry desk</li><li>• Dissemination of information through mass media, etc.</li></ul>
Business partners and subcontractors	<ul style="list-style-type: none"><li>• Daily purchasing activities/ transactions</li><li>• Supplier engagement</li><li>• Procurement Policy presentations, etc.</li></ul>
Local communities	<ul style="list-style-type: none"><li>• Participation in and support of regional events</li><li>• Contribution activities for the local community (food education project)</li><li>• Support after natural disasters, etc.</li></ul>
NGOs/NPOs and experts	<ul style="list-style-type: none"><li>• Expert panel dialogue</li></ul>

	<ul style="list-style-type: none"> <li>• Grievance mechanism</li> <li>• Promotion of joint projects, etc.</li> </ul>
Academic organizations	<ul style="list-style-type: none"> <li>• Joint research</li> <li>• Lectures, etc.</li> </ul>

## Accelerating CSR promotion through dialogue with stakeholders

### Case study: Dialogue with experts on business and human rights

In September 2017, we engaged in a dialogue with experts on business and human rights to receive advice on our future CSR activities. It was the second time we had the opportunity for a dialogue on the theme of business and human rights since FY 2016. Puvan J. Selvanathan, CEO of Bluenumber Foundation, and Cathrine Bloch Veiberg of The Danish Institute for Human Rights participated as experts. Participants from the Fuji Oil Group included President and CEO Hiroshi Shimizu, other related officers and members of CSR departments.

In the dialogue, we explained the basic approach of the Fuji Oil Group as well as the progress of efforts and recognition of issues related to business and human rights. The experts advised that, particularly in the area of sustainable procurement, engagement with suppliers is important for promoting sustainable procurement and risk mapping of the supply chain enables identification of issues to be addressed with particular priority. Since the dialogue, we have been putting the advice we received to use in our basic approach to planning sustainable procurement strategies for main raw materials and building a grievance mechanism.



A scene from the dialogue with experts on business and human rights held in September 2017

## <Participants> (as of September 2017)

### ■ Experts

Puvan J. Selvanathan, CEO, Bluenumber Foundation

Cathrine Bloch Veiberg of The Danish Institute for Human Rights

### ■ FUJI OIL HOLDINGS INC.

Hiroshi Shimizu, President and CEO

Tomoki Matsumoto, Director and Managing Executive Officer, CFO

Takeshi Takasugi, Managing Executive Officer, Business Development Division

Toshio Shikata, Senior Manager, CSR and Risk Management Group

Haruka Yamada, CSR and Risk Management Group

### ■ Moderators

Caux Round Table Japan

Hiroshi Ishida, Executive Director

Sayaho Noda, Director

## <Dialogues with experts on business and human rights and Fuji Oil Holdings' response>

<b>September 2016 First dialogue with experts</b>	<b>September 2016 - September 2017</b>	<b>September 2017 Second dialogue with experts</b>	<b>As of September 2017 - May 2018</b>
<p>&lt;Advice&gt;</p> <ol style="list-style-type: none"> <li>1. Business and human rights guiding principles</li> <li>2. Sustainable procurement focused on the site (plantation)</li> </ol>	<p>&lt;Response&gt;</p> <ul style="list-style-type: none"> <li>• Drafting and announcement of human rights policy</li> <li>• Implementation of human rights due diligence and response to issues</li> <li>• Start and promotion of palm oil supply chain improvement</li> </ul>	<p>&lt;Advice&gt;</p> <ol style="list-style-type: none"> <li>1. Supplier engagement</li> <li>2. Understanding supply chain risks</li> </ol>	<p>&lt;Response&gt;</p> <ul style="list-style-type: none"> <li>• Engagement with major palm oil suppliers</li> <li>• Construction and announcement of grievance mechanism</li> <li>• Start of improvement activities for high-risk</li> </ul>

	activities at Group company (primary refining plant) Palmaju Edible Oil Sdn. Bhd. (Malaysia)		supply chain (Indonesia)
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## Participation in external initiatives

We are participating in external initiatives to help resolve social issues in cooperation with stakeholders.

### 【Major external initiatives】

- UN Global Compact
- The Consumer Goods Forum
- RSPO (Roundtable on Sustainable Palm Oil)
- CDP
- Global Shea Alliance
- World Cocoa Foundation



The Fuji Oil Group signed the United Nations Global Compact in January 2013. We are contributing to improving the sustainability not only of our group but also of the entire society by practicing the ten principles in the four areas of human rights, labor standards, the environment, and anti-corruption.

The Fuji Oil Group has agreed to and signed the UN Global Compact.

## Evaluation from society

As of March 2018, we have received the following evaluation for the Fuji Oil Group's CSR.

## <Evaluation from society (examples)>

<b>Environment</b>	October 2017: CDP Climate Change Questionnaire "B" rating
<b>Overall ESG</b>	July 2017: Selected as a constituent stock in the MSCI Japan ESG Select Leaders Index
	January 2018: Fuji Oil Holdings' Sustainability Report 2017 selected as one of the "most-improved integrated reports" in a report published by the Government Pension Investment Fund
<b>Health Management</b>	February 2018: Certified as an Excellent Enterprise of Health and Productivity Management 2018 (White 500) by the Ministry of Economy, Trade and Industry
<b>Empowerment of Women</b>	August 2017: Received the Platinum "Kurumin" certification from the Ministry of Health, Labor and Welfare
	July 2017: Selected as a constituent stock in the MSCI Japan Empowering Women (WIN) Select Index

## Social Contribution Activities

### Basic approach

In "Our Principles" in the Fuji Oil Management Philosophy, we state that we will engage in corporate activities rooted in our communities and actively contribute to society. As a member of local communities, we are engaged in social contribution activities that are related to the regions where our business sites are located and to the nature of our businesses.

### Food education project

Since FY 2014, the Fuji Oil Group has been conducting a nutrition education project in cooperation with the NPO After School, to convey the importance of food and the power of soybeans to children, who will lead the next generation. In FY 2017, we provided a total of 21 classes to teach 584 elementary school students about the

power of soybeans to improve people's health and save the world from food resource shortages, with two types of programs: soybean snacks (soymilk pudding) and a soybean workshop.

In recognition of our activities to stimulate interest in food and global issues through these experiences, we received an award in FY 2017 at the 11th Kids Design Awards, sponsored by the Kids Design Association.



<Visiting class>

### <Messages from children who attended the class>

- Thank you very much for teaching us how amazing soybeans are today. The pudding was also delicious.
- Thank you for telling us about soybeans. Please teach us more about soybeans.
- I learned that soybeans are the most important thing on Earth, and I want to grow soybeans at home so that there is no food shortage on the Earth.
- Thank you for a very enjoyable time.
- I enjoyed making sweets for the first time. I will find out more about soybeans and try to appreciate food more. Thank you very much.

## The Fuji Foundation for Protein Research

In 1979, we inaugurated the Research Committee of Soy Protein Nutrition to support the promotion of academic studies on soybean protein. Based on its activities over 18 years, we established the Fuji Foundation for Protein Research, operating under the jurisdiction of the former Ministry of Education, Science and Culture, in 1997. Since 2012, it has been working to carry on and expand operations as a public-interest foundation under the jurisdiction of the Cabinet Office. Aiming to stimulate wider academic research as well as popularization and use of soy protein, the foundation subsidizes a wide range of research on topics from food basics and applications to food culture, and announces the results by holding lectures open to the general public and other events. The cumulative number of grants, including those from predecessor organizations, has totaled 1,050 over the past 39 years. In addition, well-attended lectures for the general public have been held 21 times and soy protein food tasting meetings have also been positively received. In FY 2018, we celebrate the 40th anniversary of the establishment of this research organization and intend to contribute to society by publicizing the information it has accumulated more widely.



<Lecture held in Osaka>

## **Providing chocolate for teaching materials to stimulate interest in problems at palm oil producing regions at the “SDGs for School” visiting class for high school students by the NGO Think the Earth.**

“SDGs for School” is a project for teaching about the realization of a sustainable society conducted by the NGO Think the Earth to promote understanding of and popularize the SDGs among junior high and high school students. For this visiting class, the Fuji Oil Group provides two kinds of chocolate for teaching materials (one that uses palm oil and another that does not). We support this activity that shows high school students the difficulty of doing without palm oil in daily life and gives them information for consuming sustainably sourced palm oil.

### **<Message from a high school student who attended the class (excerpt)**

>

As a high school student today, I think I have more power than someone from any other generation to change the world. However, when I was growing up, I became fearful and I was unable to do anything specific, which felt very distressing. At that time, I got a specific idea of what I should do from my teacher through my classes. From now on, I would like to be able to do what I want with many other people.

I was also interested in Think the Earth and Fuji Oil 's activities and corporate philosophies. The thought that such companies exists in the world fill me with a very happy feeling.

It is difficult to develop the economy while thinking about the environment and society. I think that Japan should give more thought to other countries and the future of the world, rather than making and buying lots of cheap products. Since I cannot find a clear answer about what Japan should do, I would like to find out what companies are doing.

Note: See the following website for details (Japanese only).

▶ <http://www.thinktheearth.net/sdgs/> 

**Sustainability**

# Solutions through Creation of Foods

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**Basic approach**

We look at food ingredients from their very essence. The technologies and passion that the Fuji Oil Group has cultivated since its foundation are a force for trailblazing the potential of plant-based food. We want to use this force to resolve issues facing the world such as food shortages, undernutrition and the dietary lifestyle of seniors. We offer Plant-Based Food Solutions (PBFS) by promoting both “Monozukuri” (creating products) and “Kotozukuri” (creating movements).

## Using Plant-Based Ingredients to Provide Solutions for Shortages of Food Resources

**Basic approach**

Since its founding, the Fuji Oil Group has recognized shortages of food resources associated with population growth as a theme to be addressed. Specifically, we believe that plant-based materials will solve food shortages, and for more than 60 years since 1957 we have been popularizing soy protein in various food applications. With a belief that soy will contribute to the health of people and the planet, we conduct “Monozukuri” (creating products) based on our technological capabilities and “Kotozukuri” (creating movements) in the market.

## Objectives

- Based on the Mid-Term Management Plan, help to resolve the issue of shortages of food resources with plant-based proteins, which have a reduced burden on the global environment.

In terms of “Monozukuri” (creating products), develop products that offer deliciousness, which is an issue in popularizing plant-based protein sources. In terms of “Kotozukuri” (creating movements), create ways for consumers to understand the significance of choosing plant-based protein sources.

## Progress

- Expanded the market for soy protein as a meat substitute through market development of soy meat (promotion of development of high-value-added products)
- Developed textured soy protein products specialized for tuna applications (tuna-like soy meat) to compensate for the decrease in marine resources
- Popularized and proposed “plant-based food” in the market with a PBFS presentation (held in March 2018)

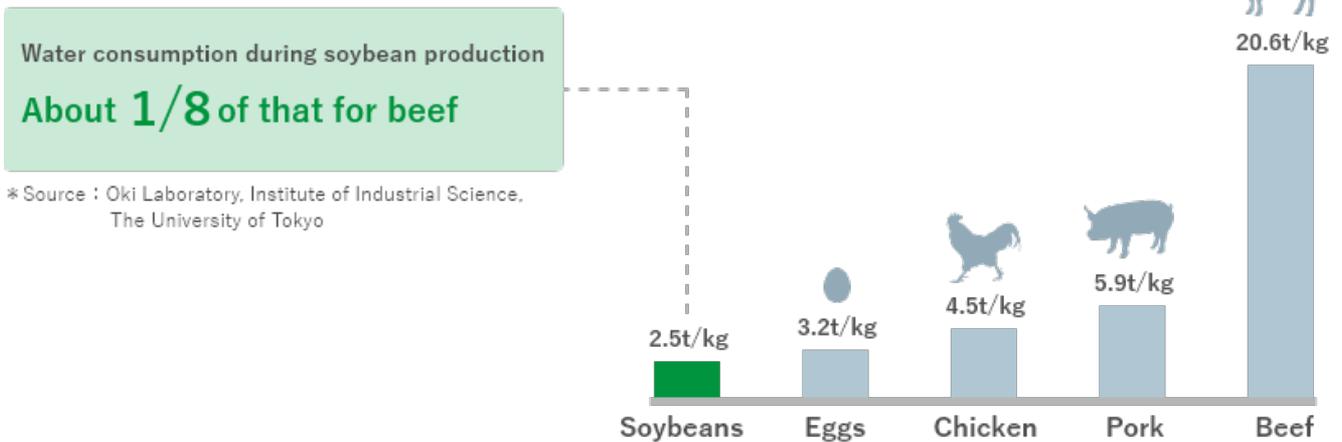
## Specific initiatives

### Popularizing soy ingredients for the health of people and the planet

#### Social issues and soybeans

Global population growth is forecast to lead to future shortages of food (especially animal protein) and water resources. However, the Fuji Oil Group believes that soybeans will resolve this social issue. This is because soybeans can be grown in a wide range of locations from northern regions to the tropics and cultivated in large quantities with minimal fertilizer and water.

## <Water Consumption during Production by Resource>



### Monozukuri: Cheese-like soymilk ingredients

We created soybean ingredients with a cheese-like flavor (fermented soymilk foods) to not only help resolve shortages of food resources but also address the growing vegetarian and health consciousness trends. Adding lactobacillus we developed jointly with a European lactobacillus manufacturer to low-fat soymilk made with the USS manufacturing method\* resulted in a robust, rich flavor. With the development of cream cheese-type, mascarpone cheese-type and other kinds of cheese-like soymilk ingredients, we are popularizing soy ingredients in various food applications.

\* USS manufacturing method

The Ultra Soy Separation (USS) manufacturing method is the world's first soybean separation and fractionation technology. It enables the separation of soybeans into soymilk cream and low-fat soymilk in a manner similar to the method for separating raw milk into fresh cream and low-fat milk. Soymilk cream has a full-bodied richness similar to fresh cream that is ideal for prepared and processed products, and is characterized by a refreshing aftertaste. Low-fat soymilk contains many free amino acids that are components of umami, and because it brings out the flavor of other ingredients and soup stock, it is suitable for use in Japanese cuisine. We also offer a lineup with a wide range of derivative products that include whipping cream and dressings. With these products, we are expanding the potential of soybeans as a food ingredient.



Cheese-like soymilk ingredients



Tiratisu (a tofu-based dessert similar to tiramisu that uses a cheese-like soymilk ingredient)

### **Monozukuri: Soy meat (textured soy protein)**

Soy meat is a product made by applying heat and pressure to induce the creation of fiber in defatted soybeans, with a texture similar to meat. By leveraging our proprietary technologies, we can produce soy meat with different textures like those of chicken or beef to suit the application. Applications, which have mainly been for ground meat for hamburgers and “gyoza”, are diversifying and demand is increasing with the positive response to soy meat’s advanced functional characteristics, including its ability to remain juicy without hardening even when chilled. In FY 2017, we developed and commercialized “soy tuna” with a view toward conformity with halal rules. We plan to provide soy meat extensively worldwide, including for dietary demographics such as vegetarians, as a food ingredient that offers both deliciousness and functionality not available from meat.



Mabodofu made with soy meat

## Plant-based food solutions (PBFS) presentation

Since its founding, the Fuji Oil Group has continued to explore the potential of Plant-Based Food (“PBF”), with vegetable oils and soybeans as the core ingredients. At a PBFS conference held in March 2018, attended by nearly 60 media representatives, we announced our PBFs that can help address global issues such as the crisis in sustainability due to the growing population, the rise of health-consciousness and the diversification of foods. We also announced our survey of consumer food preferences and the research and technologies for PBF ingredients we have cultivated over many years. Traditional PBFs in Japan include tofu and natto. However, recent technological advances have made it possible to use soy protein and other plant-based ingredients to produce items such as hamburgers, pork cutlets, sushi and sweets, which previously could not be made without animal ingredients. Attendees at the presentation tasted PBF samples including soy cutlet sandwiches, vegi sea urchin- and vegi tuna- sushi rolls and Tiratisu made by Fuji Oil, and BEYOND TOFU, a cheese-like fermented soymilk food sold by Daizu Origin Co., Ltd. After the presentation, coverage of soy meat and soymilk by many TV, newspaper and other media outlets increased, and we also received a substantial response from our business partners. We will conduct further research and development of PBFs to address diversifying food needs in areas such as vegetarian, halal, gluten-free and allergen-free products, and communicate the results to society.



PBFS presentation



Assortment of soy products for sampling at the PBFS presentation

## Kotozukuri: Providing soy ingredients produced in Hokkaido to local hotels and restaurants

Hokkaido has ranked first in appeal among Japan’s prefectures for eight consecutive years. One of Hokkaido’s major attractions is its food. The deliciousness of



The Fuji Oil Group intends to offer solutions that address lifestyle-related diseases and other health-related social issues through food ingredients. Doing so requires a balance between “health” and “deliciousness.” Even if an ingredient is good for people’s health, they will not continue to eat it if it is not delicious. We are promoting “Monozukuri” (creating products) and “Kotozukuri” (creating movements) to provide healthy and delicious ingredients that help resolve social issues.

## Objectives

Based on the mid-Term Management Plan, develop healthy oils and fats (stabilized DHA and EPA) and soy peptides for a broad range of foods and popularize them in consumers’ diets to contribute to healthy life expectancy.

## Progress

- Conducted market development and launched soy protein food products containing healthy oils and fats (stabilized DHA and EPA).
- Promoted research and development on the function of DHA and peptides in the brain.

## Specific initiatives

### Monozukuri: Stabilized DHA and EPA

DHA and EPA, high quantities of which are present in fish and shellfish, are unsaturated fatty acids that are expected to have a wide range of health benefits including helping to reduce dementia risk. The Ministry of Health, Labour and Welfare’s “Dietary Reference Intakes for Japanese” recommends daily intake of DHA and EPA.

However, previously available DHA and EPA were markedly deteriorated by oxidation and the accompanying fishy odor made them difficult to ingest unless in capsule form. The Fuji Oil Group succeeded in developing stabilized DHA and EPA, suppressing oxidation and fishy odor using a new technology for stable admixture of anti-oxidant ingredients that were not readily soluble in oils and fats. From the standpoint of the sustainability of marine resources and stable procurement, the Group derives the main raw material of its stabilized DHA and EPA from algae. In FY 2017, we commercialized mixed juice containing stabilized DHA and EPA. In the future, we plan to popularize their use in a variety of foods through proposals to customers.

## **“Monozukuri”:**Creating products flavor-using enhancing oil

We have developed and sell a flavor-enhancing oil that brings out saltiness, sourness and piquancy with just a small amount of seasoning. The oil helps to reduce sodium in processed foods, for which low sodium is desirable from the viewpoint of preventing lifestyle-related diseases, and expectations are high for food service applications in hospitals and facilities for the elderly as a cooking oil for sodium reduction.

## **Monozukuri: Products with low trans or non-trans fatty acid content**

Excessive intake of trans fatty acids is said to increase the risk of heart disease. In June 2015, the Food and Drug Administration (FDA) of the United States announced restrictions on the use in foodstuffs of partially hydrogenated oils, which contain a large quantity of trans fatty acids, and there have been moves by food manufacturers worldwide to reevaluate trans fatty acids. The Fuji Oil Group uses proprietary technologies such as interesterification that do not generate trans fatty acids during manufacturing and has commercialized low trans and non-trans fatty acid products for chocolate and margarine to provide delicious and healthy ingredients.

## **Research and Development to Accelerate Innovation**

### **Basic approach**

The mission of the Fuji Oil Group’s research organization is to use technological innovation to create the next-generation businesses that will become the pillars of its operations, with the aim of sustainable growth. As we conduct R&D initiatives and draw up strategies to deepen and develop existing businesses and commercialize new businesses, we are also investigating research fields for the future and building a joint research framework for open innovation.

### **Research Structure to Create the Future of Food**

The Fuji Oil Group’s research and development themes are diverse, ranging from basic research to development of ingredients, applications and engineering. Through

relentless research and development, we believe we can continuously give rise to new technologies and innovative new ingredients that solve various dietary challenges to create the future of food. We established the Fuji Science & Innovation Center in the summer of 2016 as a venue for generating innovations by fusing knowledge and technology from inside and outside the Fuji Oil Group. Together with the Tsukuba Research & Development Center and the Asia R&D Center, we have built a tripolar global research and development structure to accelerate the fusion of knowledge and technology.

In April 2015, we changed the name of our basic research laboratory to the R&D Division for Future Creation and newly established a basic technology team in charge of innovation of production technology in the laboratory to promote technological innovation and the creation of new businesses and new markets.

## Global research facilities and FUJISUNNY PLAZA locations



Facility	Functions
Fuji Science & Innovation Center	Undertakes the development of food ingredients in response to customer wants and needs as the focal point for fusing knowledge from inside and outside the Fuji Oil Group.
Tsukuba Research & Development Center	Conducts application development that matches customer wants and needs, and basic research that leads to enhancement of technologies and to delicious, healthy foods.
Asia R&D Center	Drawing on our store of know-how in ingredient development in Japan, the Asia R&D Center in Singapore pursues the development of food ingredients to meet the wants and needs of markets in Asia.
FUJISUNNY PLAZAs	Conduct joint trial manufacturing and joint development at eight locations worldwide, including Tokyo, to serve as venues for co-creation with our customers.

## The Fuji Science & Innovation Center: accelerate challenge and innovation



Established in 2016, the Fuji Science & Innovation Center plays an important role as the research and development headquarters for the Fuji Oil Group.

The facility integrates various measures to serve as the focal point for fusing knowledge from inside and outside the Fuji Oil Group. For example, research space has been consolidated on a single floor so that researchers can interact. With this new approach, barriers between departments have been removed, enabling free and frank communication. Innovations from new combinations have arisen from these discussions among researchers, such as oils and fats related technology that has led to a breakthrough on a certain soybean protein issue. The facility is also accelerating the fusion of knowledge and technology in ways such as establishing a collaboration

laboratory for joint R&D with researchers from overseas group companies in a co-creation space. We are also vigorously promoting co-creation with customers through such measures as virtual factory tours that provide a conceptual image of product processing and an exhibition room that helps them understand the Fuji Oil Group's businesses at a glance.

In September 2017, the Fuji Science & Innovation Center received a Promotion Award for the Kinki Block at the 30th Nikkei New Office Awards. The award is the result of an evaluation that the facility conforms with the "human environment design" approach of designing environments that are easy for all to use.

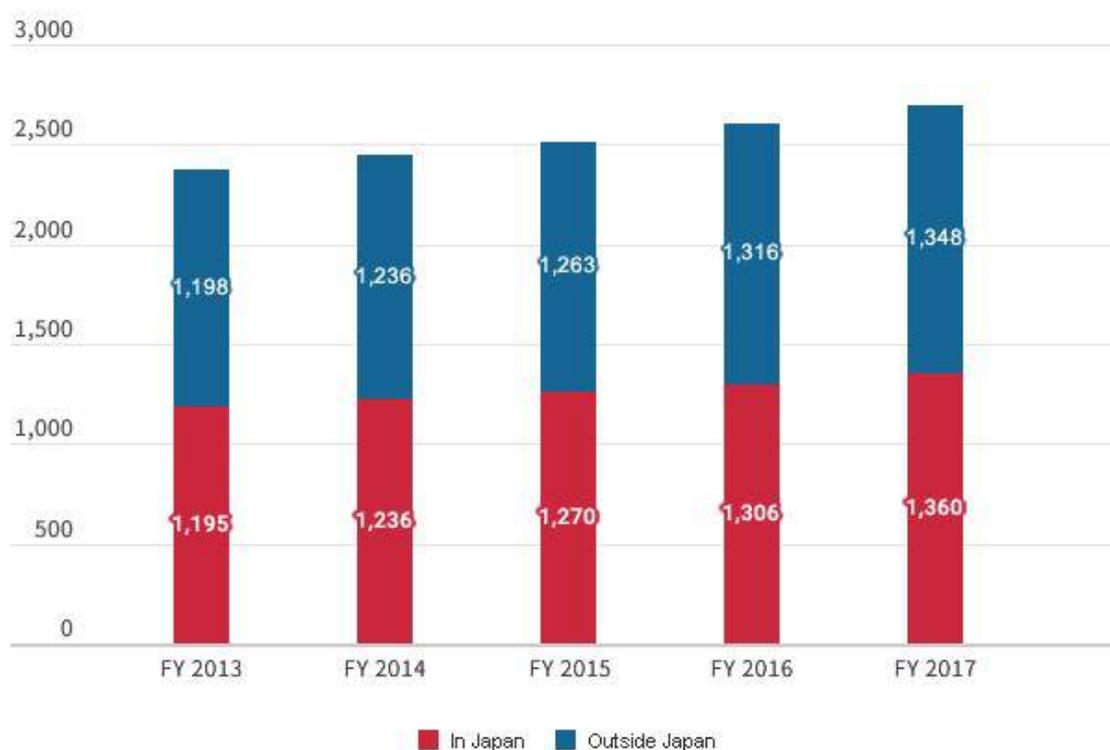
## Data

### Research and Development Expenses

FY 2017 total research and development expenses ¥4,613 million

### Cumulative Number of Patents Acquired

**Note: Number of patents acquired by Fuji Oil Co., Ltd. and Fuji Oil Holdings (cumulative total of domestic and overseas patents registered since 1950)**



\* Cumulative figures for Fuji Oil Holdings and Fuji Oil Co., Ltd. since 1950.

\* Figures have been adjusted by changing the counting method to the year of registration basis.

# Safety, Security and Quality of Foods

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## Basic approach

For the Fuji Oil Group, providing safe and secure products to society is a prerequisite for its business activities as a food manufacturer. The Fuji Oil Group works to create products that customers and consumers can use with peace of mind, based on the four provisions of its Basic Policy of Quality: 1. We work in full compliance with laws & regulations and the spirit thereof, and strive to enhance product safety and reliability; 2. We develop creative products, and propose them to customers in a timely manner; 3. We strive to enhance customer satisfaction; and 4. We communicate precisely and cordially, and strive to solve problems.

## Promotion system

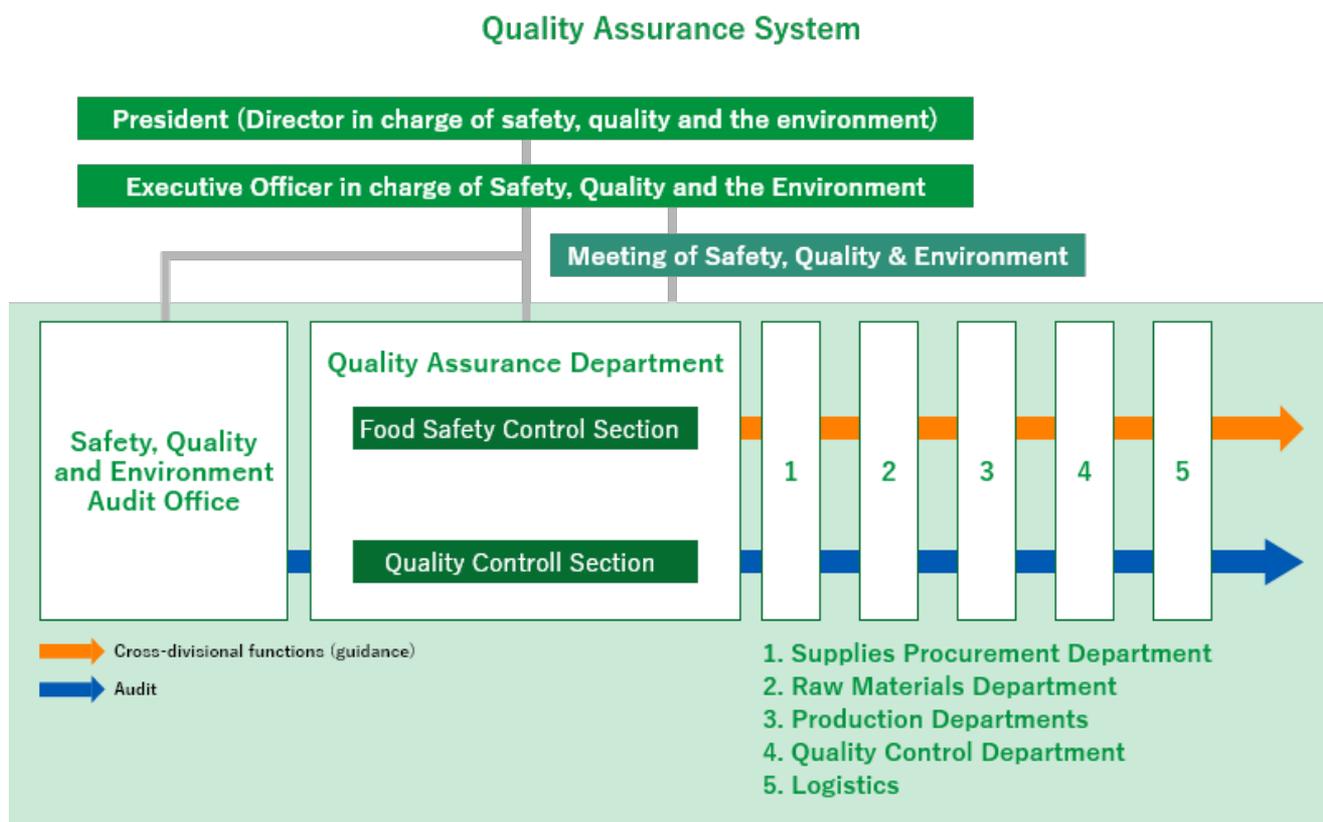
The Fuji Oil Group established the position of Chief Quality Officer (CQO) in FY 2018 and will work to improve the level of quality assurance and quality control throughout the Group.

We have established a management system in each of our group companies to apply the Fuji Oil Group Basic Policy of Safety, Quality and Environment to our business activities. In addition, we have established the Fuji Oil Group Safety, Quality and Environment Management Regulations and based on these regulations we monitor the management status of each group company (safety, quality and environmental

audits). We also hold a Meeting of Safety, Quality & Environment for the persons in charge at each group company in each region to share initiatives.

### Case study at Fuji Oil Co., Ltd.

Fuji Oil Co., Ltd. has established a Quality Control Department to check that products and the manufacturing process meet our standards in each process from raw material procurement to production and shipment. In addition, an independent Quality Assurance Department has been established to provide cross-divisional product and process verification, and to verify that laws are observed and products are high quality from the customer’s perspective. The Quality Assurance Department routinely collects information regarding laws and the food industry, and shares it with group companies.



### Education and awareness-raising activities

The Fuji Oil Group provides education to employees to raise their awareness of quality. Fuji Oil Co., Ltd. supports activities at each plant conducted in accordance with action guidelines and holds lectures on hygiene and other matters. A total of 76 people attended these lectures in FY 2017. In addition, every November we participate in Quality Month, which is organized by the Quality Month Committee, a Japanese industry organization. During Quality Month, based on a defined theme we

conduct various activities to raise awareness of quality among our employees. We also provide overseas group companies with ongoing technical guidance on newly introduced analytical equipment to improve the overall quality management level of our group. We will continue to promote technological exchange among group companies to spread the Group's advanced analytical techniques to other group companies, in order to provide safer and more reliable products to customers around the world.

## Ensuring thoroughgoing food safety and quality

### Objectives

- Create a group-wide quality assurance system by 2020.
- Acquire FSSC 22000 or ISO 22000 certification at all Fuji Oil Co., Ltd. plants by the end of FY 2019 (March 31, 2020).

### Progress

In addition to promoting acquisition of quality management certification, we conducted internal quality audits at group companies outside Japan. We audited 7 of the 18 plants subject to inspection and provided evaluations and feedback on quality control.

### Acquisition status of major quality management certifications

Major certifications:	Progress made during FY 2017	Acquisition status as of the end of FY 2017
GFSI-recognized certifications (FSSC, SQF)	<ul style="list-style-type: none"> <li>• Unit 1, Kanto Section, Chocolate Production Department, Kanto Plant of Fuji Oil Co., Ltd. newly obtained FSSC 22000 certification.</li> <li>• Unit 2, Section 1, Emulsified &amp; Fermented Foods Production Department of the Kanto</li> </ul>	<p>Outside Japan: 11 group companies</p> <p>In Japan: 4 business sites and 5 plants of Fuji Oil Co., Ltd.</p>

Major certifications:	Progress made during FY 2017	Acquisition status as of the end of FY 2017
	<p>Plant of Fuji Oil Co., Ltd. newly obtained FSSC 22000 certification.</p> <ul style="list-style-type: none"> <li>• Shandong Longteng Fuji Foodstuffs (China) newly obtained FSSC 22000 certification.</li> <li>• FUJI VEGETABLE OIL, INC. (U.S.A.) newly obtained SQF certification.</li> </ul>	
HACCP or ISO 22000 certification	<ul style="list-style-type: none"> <li>• Chiba Plant of Fuji Oil Co., Ltd. newly obtained ISO 22000 certification.</li> <li>• Unit 1, Section 2, Soy Ingredients Production Department of the Hannan Business Operations Complex of Fuji Oil Co., Ltd. newly obtained ISO 22000 certification.</li> <li>• Unit 2, Section 2, Soy Ingredients Production Department of the Hannan Business Operations Complex of Fuji Oil Co., Ltd. newly obtained ISO 22000 certification.</li> </ul>	<p>Outside Japan: 15 group companies  In Japan: 5 business sites and 9 plants of Fuji Oil Co., Ltd.  Omu Milk Products Co., Ltd.(The Ministry of Health, Labour and Welfare version)</p>
ISO 9001 certification	<ul style="list-style-type: none"> <li>• 3F Fuji Foods Private Limited (India) newly obtained ISO 9001 certification.</li> </ul>	<p>Outside Japan: 13 group companies  In Japan: 5 group companies</p>

## Specific initiatives

### Risk management and countermeasures

#### Risk management methods for food safety

Group companies and their relevant organizational units manage and respond to risks related to food safety as part of the Fuji Oil Group's overall risk management system.

See the following website for an overview of the risk management system.

▶ [https://www.fujioilholdings.com/en/csr/risk\\_management/](https://www.fujioilholdings.com/en/csr/risk_management/)

#### Acquisition of International Quality Management Certifications

The Fuji Oil Group has been actively promoting the acquisition of international quality management certifications to meet our customers' demands. In recent years there has been a growing awareness of the need for prevention of foreign matter contamination. Accordingly, to improve our food safety level, since FY 2012 the quality audits of each group company – both in and outside Japan – include confirmation of the degree to which the Global Food Safety Initiative (GFSI)\* -recognized standards have been met.

\* GFSI: A nonprofit organization established in 2000. In order to ensure and improve food safety worldwide, GFSI harmonizes international food safety standards by establishing and publishing a set of criteria and recognizing prominent food safety management system standards around the world that fulfill these criteria.

#### Food safety-related risks and countermeasures

A risk assessment of the entire Fuji Oil Group in FY 2017 resulted in the identification of the food safety-related risks of contamination by foreign matter, allergens and inappropriate raw materials. We strive to reduce the possibility of the occurrence of these risks through acquisition of quality management certifications and prioritized evaluation and guidance by means of quality audits.

### Product labeling

The Fuji Oil Group strives to provide labeling on all its products in accordance with the relevant laws and regulations of each country or region.

At Fuji Oil Co., Ltd., the Quality Assurance Department collects information on

relevant laws and regulations every day and conveys any revisions through the "Food Safety Information," which it distributes on a daily basis, to the relevant departments to ensure that these revisions are promptly and accurately reflected on product labels. There is also a system in place to ensure that the staff in the development, production and quality assurance departments check the content of product labels before printing to avoid any errors that would violate laws or regulations. We endeavor to enhance transparency by disclosing information to our customers in a timely fashion through product specifications and the Fuji Oil Co., Ltd. website.

## **Acquisition of certifications**

### **Acquisition of Halal and Kosher Certifications**

The Fuji Oil Group creates value that embraces regional dietary cultures. We promote the acquisition of halal and kosher certifications that verify the conformity of our use of raw materials and production processes to Islamic and Jewish dietary rules, respectively. These certifications are now supported not only by believers in Islam and Judaism, but also by health- and food safety-conscious consumers, as the image of halal- and kosher-certified foods as healthy, safe and reliable has taken root around the world. We will continue our efforts to establish systems that enable us to provide safe, healthy and delicious food products to people of all cultures and values.

## Acquisition of halal certification (As of March 2018)

Companies offering halal-certified products
FUJI OIL (SINGAPORE) PTE. LTD.
WOODLANDS SUNNY FOODS PTE. LTD. (SINGAPORE)
PALMAJU EDIBLE OIL SDN. BHD. (MALAYSIA)
PT. FREYABADI INDOTAMA (INDONESIA)
FUJI OIL (ZHANG JIA GANG) CO., LTD. (CHINA)
JILIN FUJI PROTEIN CO., LTD. (CHINA)
TIANJIN FUJI PROTEIN (CHINA)
FUJI VEGETABLE OIL, INC. (USA)
HARALD (BRAZIL)
FUJI OIL EUROPE (BELGIUM)
PT. MUSIM MAS-FUJI (INDONESIA)
FUJI OIL (THAILAND) CO., LTD. (THAILAND)
FREYABADI (THAILAND) CO., LTD. (THAILAND)
GCB SPECIALTY CHOCOLATES SDN. BHD. (MALAYSIA)

Note: If you would like to know whether a specific product is halal-certified, please contact the relevant group company.

## Acquisition of kosher certification (As of March 2018)

Companies offering kosher-certified products
FUJI VEGETABEL OIL, INC.
FUJI OIL EUROPE (BELGIUM)
FUJI OIL (SINGAPORE) PTE. LTD. (SINGAPORE)
PALMAJU EDIBLE OIL SDN. BHD. (MALAYSIA)
PT. FREYABADI INDOTAMA (INDONESIA)
JILIN FUJI PROTEIN CO., LTD. (CHINA)
TIANJIN FUJI PROTEIN CO., LTD. (CHINA)
PT. MUSIM MAS-FUJI (INDONESIA)

Note: If you would like to know whether a specific product is kosher-certified, please contact the relevant group company.

## Response to GFSI and acquisition of FSSC 22000 certification

The Fuji Oil Group is conducting activities to obtain FSSC 22000 food safety management system certification, a certification system recognized by GFSI. In FY 2017, 3 plants newly acquired FSSC 22000 certification and 1 plant newly acquired SQF certification for total certifications of 4 business sites and 5 plants in Japan and 11 plants outside Japan.

In response to the Japanese government's plan to make HACCP implementation mandatory in 2020, we have been conducting activities since FY 2016 to obtain FSSC 22000 or ISO 22000 certification for plants that produce chocolate, cream, soybean or other ingredients. We are promoting measures with a plan to complete certification at all factories in Japan during FY 2019.

See the following website for the latest status of FSSC 22000 certification.

▶ <https://www.fujioilholdings.com/en/about/authen/iso22000/> 

## GFSI-approved standards

We audit the quality management systems of all of our business sites with respect to food safety based on the requirements of GFSI recognized standards. When there is an issue, improvements are instituted, which is allowing us to quickly build a system for responding to the various cross-border needs of our customers.

### GFSI recognized standards (As of September 2013)

Name	Outline
(1) BRC GLOBAL STANDARD FOR FOOD SAFETY ISSUE 6	Standard for food safety developed and run by the British Retail Consortium. The requirements include ones relating to legal compliance.
(2) Canada GAP	Management criteria for guaranteeing agricultural product safety that has received full Canadian Government recognition
(3) FSSC22000	A management system developed by The Foundation for Food Safety Certification in the Netherlands that integrates hygiene control standards for food production with the requirements for ISO 2000, an international standard for food safety management systems.
(4) Global Aquaculture Alliance	The Global Aquaculture Alliance certifies aquaculture companies that are implementing their businesses in a sustainable manner.
(5) GLOBAL G.A.P.	Standards for safety management of agricultural production developed by Euro-Retailer Produce Working Group (EUREP)
(6) Global Red Meat Standard	An international standard on managing the safety of meat

Name	Outline
(7) International Food Standard Version 6	A standard for the production control of suppliers that provide retailers in France and Germany with food products. It verifies that a supplier's production control meets related safety standards, quality standards and legal standards
(8) SQF	An international standard for food safety and quality management systems in line with HACCP fundamentals
(9) Primus GFS	An international standard for food safety and quality management systems in line with HACCP fundamentals

## Acquisition of HACCP, ISO 22000 and ISO 9001 certifications

See the following sections of our website for the latest status of HACCP, ISO 22000 and ISO 9001 certifications.

- HACCP
  - ▶ <https://www.fujioilholdings.com/en/about/authen/haccp/>
- ISO22000
  - ▶ <https://www.fujioilholdings.com/en/about/authen/iso22000/>
- ISO9001
  - ▶ <https://www.fujioilholdings.com/en/about/authen/iso9001/>

## Recalls and Other Incidents

No product recalls or other significant quality incidents occurred in the Fuji Oil Group during FY 2017. We will continue working to ensure that our customers can use Fuji Oil Group products with peace of mind.

# Sustainable Procurement

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▾ [Stable procurement of raw materials](#) **Priority theme**

### Basic approach

Social issues related to the environment and human rights may arise at production sites for crops such as palm oil and cacao, which are key raw materials for the Fuji Oil Group. In addition, we consider stable procurement of high-quality and safe raw materials that have been produced in a sustainable manner to be important for fulfilling our responsibility to supply products. As a social entity, the Fuji Oil Group conducts environmentally, socially and economically sustainable procurement.

### Promotion System

We view sustainable procurement as an important theme of our business strategy and conduct it as an activity theme of the Business Strategy Division under the Chief Strategy Officer (CSO) of the Fuji Oil Group. In addition, we have established the Sustainable Procurement Subcommittee within the ESG Committee, which is an advisory body to the Board of Directors, to make recommendations and reports to the Board of Directors on stable procurement and reducing environmental and human rights risks in raw material procurement.

## Highlights: Incentives for Employees

As of 2016, we have established a CSR category in our management awards program to recognize departments and group companies that have made excellent efforts to contribute to society through their business activities. In this category, we presented awards to the divisions in charge that have promoted measures for sustainable sourcing of palm oil and shea nuts.

## Sustainable Procurement of Main Raw Materials

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### Palm Oil

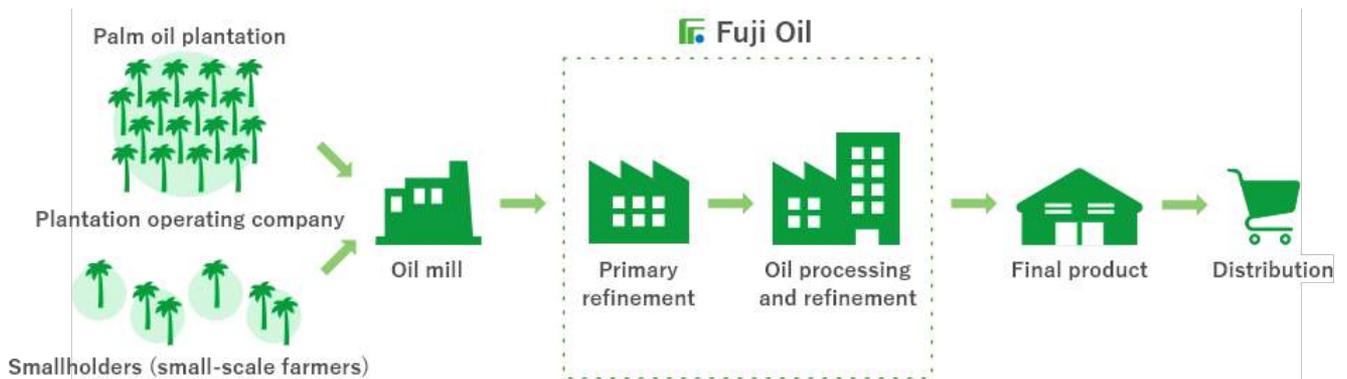
#### Basic approach

##### Palm oil and the Fuji Oil Group

Palm oil is oil extracted from the fruit of the oil palm, which grows in tropical regions such as Southeast Asia. Palm oil is easier to process and cheaper than other vegetable oils. For this reason, palm oil is used in a wide range of applications from foods to chemical products. Production volume of palm oil is the world's largest among vegetable oil materials. However, as the scale of the market continues to expand, there are concerns about environmental problems caused by plantation development and human rights issues such as child labor and forced labor in areas where palm oil plantations are located.

The Fuji Oil Group has pioneered a new food culture by pursuing palm oil's potential as a key raw material. We consider aiming for sustainable procurement of palm oil to be our responsibility to society.

## The palm oil supply chain and the position of the Fuji Oil Group



## Responsible Palm Oil Sourcing Policy

In March 2016, we formulated and announced the Responsible Palm Oil Sourcing Policy for the Fuji Oil Group. In this Policy, we commit ourselves to procuring palm oil produced in a responsible manner from suppliers who respect people and the global environment. We strive to conduct procurement in line with this Policy, in cooperation with our stakeholders. We will continue to promote responsible palm oil procurement to ensure that palm oil is accepted around the world as a sustainable raw material.

▶ [The Responsible Palm Oil Sourcing Policy PDF\(1.62MB\)](#)

### Objectives

- Achieve “No Deforestation, No Peatland development,\* No Exploitation” (NDPE) in the Fuji Oil Group’s palm oil supply chain
- 100% traceability to mills by 2020

\* Peatland: A layer of land that fixes a large amount of carbon in the ground. Development on peat releases a large volume of greenhouse gas into the atmosphere.

### Progress

Main progress during FY 2017 was as follows.

- 55 palm oil smallholders in Sabah, Malaysia who are receiving support obtained RSPO\* certification in May 2017.
- As a result of activities to improve the supply chain at Palmaju Edible Oil Sdn. Bhd. (Malaysia), a primary palm oil refining company of the Fuji Oil Group, passports

were returned to 230 migrant workers at its raw material suppliers as of December 31, 2017.

- In March 2017, explained the Fuji Oil Group's approach to major suppliers to reach agreement and request cooperation on NDPE.
- In May 2018, a grievance (complaint handling) mechanism based on the Responsible Palm Oil Sourcing Policy was established and announced.

Pursuant to the Responsible Palm Oil Sourcing Policy, we disclose our progress once every six months. See the URLs below for progress in FY 2017.

June 2018:

- ▶ [https://www.fujioilholdings.com/en/news/2018/1193705\\_2696.html](https://www.fujioilholdings.com/en/news/2018/1193705_2696.html)

November 2017:

- ▶ [https://www.fujioilholdings.com/en/news/2017/1188752\\_2684.html](https://www.fujioilholdings.com/en/news/2017/1188752_2684.html)

\* RSPO: RSPO stands for Roundtable on Sustainable Palm Oil. RSPO is a non-profit organization that brings together palm oil producers, processors and traders, consumer goods manufacturers, retailers, banks and investors, and environmental, social and developmental non-governmental organizations (NGOs) to develop and implement a global standard for sustainable palm oil.

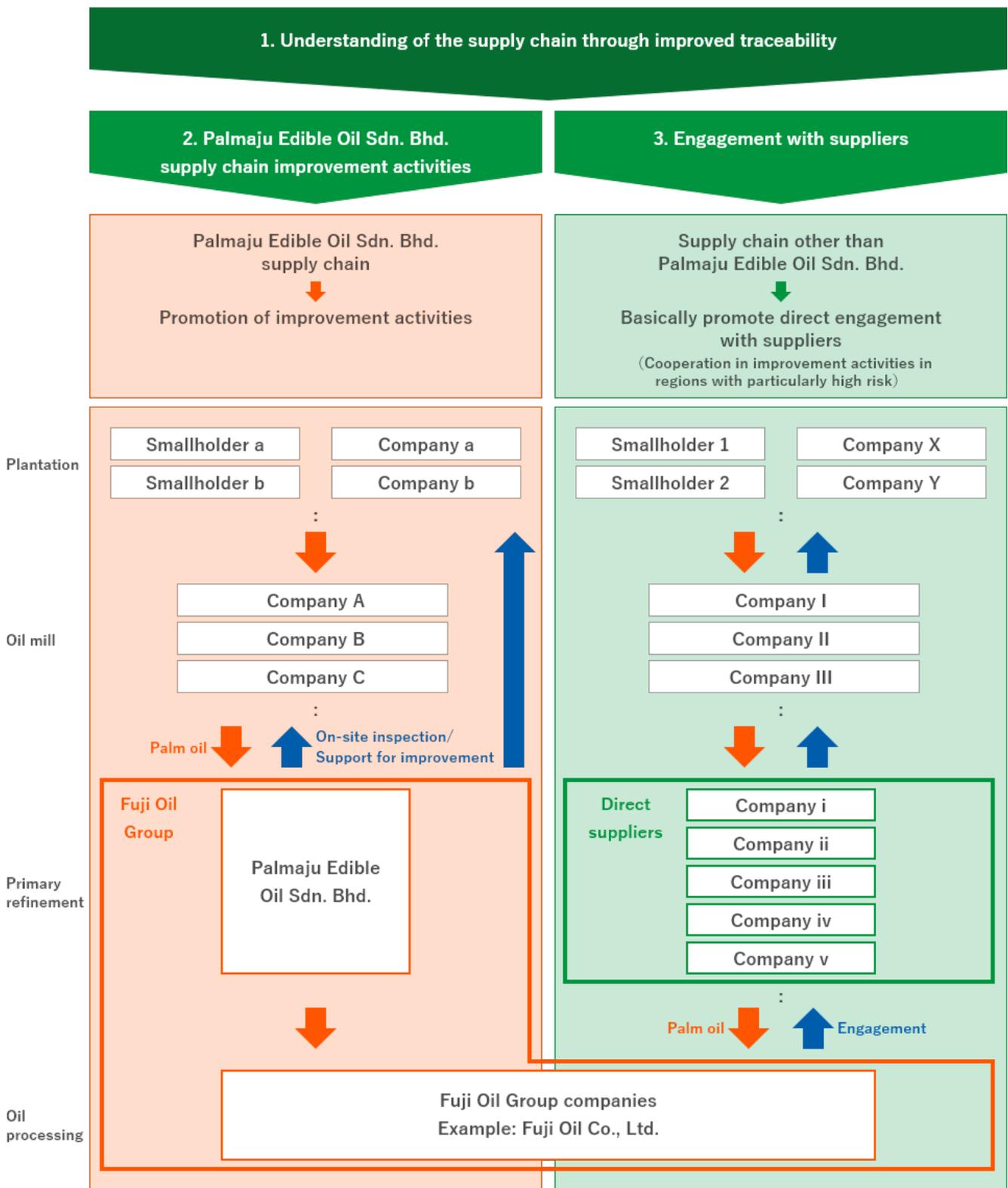
## Specific initiatives

### Supply chain improvement activities

Based on our Sourcing Policy, we are conducting supply chain improvement activities to resolve environmental and human rights issues at palm oil production sites (plantations). For our primary refining company (Palmaju Edible Oil Sdn. Bhd.), which is located closer in the supply chain to the palm oil production sites, we are rolling out supply chain improvement activities in cooperation with oil mills.

For the supply chain other than Palmaju Edible Oil Sdn. Bhd., we will basically endeavor to make improvements by promoting direct engagement with suppliers. In part of the supply chain, we have started improvement activities in cooperation with suppliers. In FY 2018, we began improvement activities for plantation areas in Indonesia with a high level of environmental risk and started participating in the the Ethical Recruitment Forum to protect the rights of migrant workers in Malaysia.

# Overview of supply chain improvement activities



## 1. Understanding of the supply chain through improved traceability

To improve the supply chain, we consider it important to identify the region of production of palm oil purchased and used by the Fuji Oil Group. We are working with the non-profit organization The Forest Trust (TFT) and our suppliers to improve traceability\* with an initial target of achieving full traceability from plantation to

palm oil mill by 2020.

Our traceability from plantation to palm oil mill was 95% in the second half of FY 2017.

\* Traceability: The act of and framework for making apparent (i.e. traceable) the production history and distribution routes of food products to ensure their safety.

## **2. Palmaju Edible Oil Sdn. Bhd. supply chain improvement activities**

In October 2016, the Fuji Oil Group started supply chain improvement activities at Group company Palmaju Edible Oil Sdn. Bhd. (Malaysia). First, we shared the Fuji Oil Group's Sourcing Policy with the company's suppliers (oil mills). Next, together with one of the suppliers, we conducted on-site inspections of the dealers and plantations related to our oil mill to assess their compliance with the Sourcing Policy and provided support for improvement or correction of issues. As a result of this support, in December 2017 passports were returned to more than 200 migrant workers at oil mills and plantations that are suppliers of Palmaju and 300 migrant workers were able to conclude employment contracts in a language they could understand. We also held two seminars to share information with suppliers other than those subject to evaluation. In FY 2018, we will promote further improvement of our supply chain by providing all of our direct suppliers with self-assessment tools and know-how for improving issues.

Note: Our improvement activities have been covered in a video. See the following URL.

▶ <https://www.youtube.com/watch?v=sUWBgu07Tp8&feature=youtu.be> 

## **3. Engagement with suppliers**

We believe that engagement with suppliers is crucial for improving the Fuji Oil Group's overall palm oil supply chain. In FY 2017, we engaged directly with major suppliers. In our engagement, we ensured that suppliers understand our Sourcing Policy and discussed supply chain risks and cooperation in our grievance mechanism in the event problems arise. In FY 2018, we plan to expand and strengthen engagement by sending self-assessment tools to all of the Fuji Oil Group's direct suppliers of palm oil.

## RSPO

The Fuji Oil Group endorses the creation of a sustainable production and consumption system, and has been a member of RSPO and used RSPO-certified oil since 2004.

Demand for RSPO-certified oil is increasing, mainly in Europe and the United States. In 2017, the sales volume of our group's products that use RSPO-certified oil increased to approximately 120,000 tons. This accounts for approximately 17% of the total volume of palm oil handled by the Group. To meet demand for RSPO-certified oil, we are proactively implementing various measures including the installation of additional tanks in Europe, supply chain improvements at group companies and acquisition of supply chain certification at business sites.

\* Check the status of our progress at

▶ <https://www.rspo.org/> 

## Activities to support smallholders in Borneo, Malaysia

Inefficient palm plantation operation by some smallholders has been identified as one of the factors causing environmental and human rights problems. To help these farmers gain expertise in environmentally, socially and economically sustainable plantation management, in January 2016 the Fuji Oil Group joined a smallholders support project called the Wild Asia Group Scheme (WAGS), which has been implemented by Wild Asia (an NGO) and our supplier. This project has provided educational support for four years with the aim of improving the productivity and working environment of approximately 110 smallholders in the supply chain of our group.

In May 2017, 55 smallholders that receive our support acquired RSPO certification. This means that as a result of our support, the smallholders can now produce palm oil with consideration for human rights and the environment. In addition, as one smallholder commented, by receiving instruction in the proper method for using pesticides, "the amount of pesticide used has decreased, leading to lower costs." We will continue to emphasize dialogue with and support for local residents.

## **Establishment of UNIFUJI SDN. BHD. (Malaysia)**

Promoting sustainable palm oil sourcing and accomplishing responsible product supply to customers and consumers are important themes of the Fuji Oil Group's business strategy. UNIFUJI SDN. BHD. is a joint venture with UNITED PLANTATIONS BHD., a partner that shares our intentions regarding sustainable palm oil. Our joint venture partner UNITED PLANTATIONS conducts sustainable plantation management in consideration of the human rights of its workers and the environment. UNIFUJI will secure palm oil that is a high-quality, sustainable raw material from the plantation of UNITED PLANTATIONS to produce and sell high-value-added palm oil products using the fractionation technology that is a strength of the Fuji Oil Group. UNIFUJI's plant, which is scheduled to start operation in the second half of 2018, is located within the plantation of UNITED PLANTATIONS and uses energy from biomass and wastewater.

## **Establishment of a grievance mechanism**

To put our Responsible Palm Oil Sourcing Policy into practice, in May 2018 we established and announced a grievance mechanism for processing complaints. It is a mechanism for handling any problems raised with the Fuji Oil Group by stakeholders in accordance with our Responsible Palm Oil Sourcing Policy. For transparency in handling grievances, we have set up the Fuji Oil Group Grievance Web Page (English) on the Group website. We strive to update the status of progress at least once each quarter and disclose related information to our stakeholders on this web page.

See the Fuji Oil Group Grievance Mechanism webpage at the following URL.

▶ [https://www.fujioilholdings.com/en/csr/grievance\\_mechanism/](https://www.fujioilholdings.com/en/csr/grievance_mechanism/)

## **Breeding research**

As palm oil consumption continues to grow globally, regions suitable for cultivation of the oil palm remain very limited, requiring increases in productivity and quality through improvements in oil palm varieties and higher yield per unit area. Since 2011, the Fuji Oil Group has been conducting joint research to improve palm productivity and quality with the Agency for Assessment and Application of Technology (Badan Pengkajian dan Penerapan Teknologi: BPPT), a government research organization in Indonesia, the world's largest palm oil-producing country. This has contributed to the development of palm research in Indonesia, including

success in major improvements in tissue culture techniques that have led to the production of superior oil palm seedlings and improved varieties. We intend to continue to contribute to the development of the palm oil industry and to sustainable palm oil production by working to help improve global environmental problems such as the decrease in tropical rainforests due to the expansion of palm plantations.



## Cooperation with the industry

### **The Palm Oil Working Group, the Japan Sustainability Local Group of the Consumer Goods Forum**

The Fuji Oil Group is participating in the Palm Oil Working Group, the Japan Sustainability Local Group of The Consumer Goods Forum (CGF), an international industry organization for consumer goods. Members from various business categories such as manufacturers of finished products and retail and wholesale companies participate in the Palm Oil Working Group to collect information and hold discussions aimed at achieving sustainable palm oil procurement in Japanese society.

### **Japan Sustainable Palm Oil Conference**

In November 2017, we co-sponsored the Japan Sustainable Palm Oil Conference, an event for Japanese society to consider sustainable palm oil sourcing, and took part in the panel discussion. We introduced our smallholder support and supply chain

improvement activities in cooperation with local NGOs and used the opportunity to share information and raise issues for Japanese society.

## Cacao

### Basic approach

The demand for chocolate is growing globally but there are concerns about a future tightening of supply and demand due to supply-side problems at plantations for cacao, which is the raw material of chocolate. These problems include farmers who are aging or who give up farming, the aging of cacao trees, the impact of climate change on production areas and low productivity due to a lack of knowledge and materials. Also, a complex web of human rights and environmental issues including poverty, child labor, forest destruction, and soil contamination have been identified among cacao farmers, who are mostly smallholders.

Cacao is one of the key raw materials for the Fuji Oil Group. The Group formulated the Fuji Oil Group Sustainable Cacao Sourcing Policy to continue to deliver the joys of food through products using sustainable cacao in the future. We aim to conduct sustainable cacao raw material sourcing based on this policy.

- ▶ [Responsible Cacao Sourcing Policy \(138KB\)](#) 

### Objective (Formulation currently under review)

We are currently examining and formulating objectives for realizing a sustainable cacao sourcing policy.

### Progress

- Reviewed strategies for stable sourcing of cacao produced in a sustainable manner
- Review of Sustainable Cacao Sourcing Policy

### Specific initiatives

#### Support activities for communities

#### Support activities in Ghana

Ghana is one of the world's major producers of cacao beans. Since 2014, Fuji Oil Co., Ltd. has been using a portion of the purchase price of cacao beans to provide community support along its supply chain in Ghana. The Company constructed a well in 2014 and has been conducting research to improve yield since 2016 for the communities receiving support.

### **Construction of a well (2014)**

Before the wells were constructed, community residents did not have access to safe drinking water, and had to rely on contaminated water in ponds and rivers for water for daily use, seriously affecting the health of residents. Also, children often had to fetch water from faraway places, and this deprived some of them of the opportunity to receive school education. However, now local residents use water from wells for drinking and cooking, and some people come a great distance from neighboring villages to draw water from the wells. We have received many joyful comments from local residents, such as "I use the well every day to get clean drinking water."

### **Research to improve yield (since 2016)**

We have selected a demonstration plantation to study the yield of cacao cultivated under different conditions. From October to December 2017, its yield increased by 18% compared with the same period a year earlier. We also conduct education on farming methods for cacao producers in the vicinity of the demonstration plantation. The content of the training includes plantation management (importance of weeding and pruning), pesticide management methods, and cacao harvesting and post-harvest management methods. When further improvement in yield at the demonstration plantation has been confirmed, we intend to provide information to nearby producers that will lead to an increase in production in the community.

We will continue to support cacao producers with the aim of establishing a sustainable cacao production and consumption system.



Children in the community

Billboard at the demonstration plantation for research on yield

## Participation in the World Cocoa Foundation (WCF)

Fuji Oil Co., Ltd. has been a member of the World Cocoa Foundation since 2012. The World Cocoa Foundation aims for the sustainable development of the cocoa industry and conducts activities to support farmers under the WCF's Commitment.

### The Commitment of World Cocoa Foundation



**WCF's Commitment**

- Profit** Fair and sufficient economic profit for farmers
- People** Empowering farmers to make choices that help develop strong, prosperous cocoa communities
- Planet** Promoting sustainable production practices that maintain and increase biodiversity and crop diversification

## Handling of certified cacao raw materials

### Fairtrade



FUJI OIL EUROPE(Belgium) has obtained Fairtrade certification, the aim of which is to promote the purchase of raw materials and products from developing countries. The company produces and sells products made from Fairtrade-certified raw materials according to customer requests.



The Fuji Oil Kanto Plant (Japan), FUJI OIL EUROPE (Belgium), and WOODLANDS SUNNY FOODS PTE. LTD.(Singapore) have obtained UTZ certification (an international certification program for sustainable agriculture) on a continuous basis. The Fuji Oil Group will promote the acquisition of UTZ certification according to customer demand.

## Soybeans

### Basic approach

Soybeans are cultivated in a wide range of areas from the cool temperate zone to the tropics, but there are concerns in soybean production areas about issues such as deforestation for farmland cultivation and soil contamination in agricultural areas due to spraying of pesticides. With the conviction that soybeans will relieve the global food-supply crisis, the Fuji Oil Group has been at the forefront of companies pursuing the potential of soybeans as a food ingredient since 1957. Believing that we should contribute to resolving social issues through our soybean business, we aim for procurement activities that take the global environment and society into consideration.

## Specific initiatives

### Production area of soybeans procured by the Fuji Oil Group

The Group procures only soybean ingredients from North America, China and Japan.

### Procurement of non-GM soybeans

Genetically modified crops are viewed with suspicion by many consumers in that their cultivation methods may lead to the destruction of biodiversity. The Fuji Oil Group procures only non-genetically modified (non-GM) soybeans. In North America, both GM soybeans\*<sup>1</sup> and non-GM soybeans are distributed in large quantities. Therefore, regarding the procurement of soybeans produced in North America, we

conduct strict control to ensure that non-GM soybeans shipped to us are cultivated, transported and stored separately from GM soybeans.

In China, a major procurement source of soybeans for us, cultivation of GM soybeans is prohibited, but in recent years, GM soybeans grown outside China have been imported as raw materials for oil extraction. Therefore managing non-GM soybeans by strictly separating them from GM soybeans is increasing in importance year by year. In addition to obtaining IP certification\*<sup>2</sup> in 2013, Jilin Fuji Protein (China) has continued to respond to strict management requirements by adopting management know-how from Fuji Oil Group.

\*1 Genetically modified (GM) soybeans Soybeans that have been created by adding functions such as herbicide resistance by means of gene recombination, to produce more stable yields. Although GM soybeans account for more than three-quarters of the world's soybean production, the use of GM soybeans still raises concerns about the environmental impact of their cultivation methods.

\*2 IP certification: Non-GMO Supply Chain Certification

## Shea Nuts\*

### Basic approach

To meet diversifying demand for chocolate and food products that contain it, cocoa butter equivalents (CBE) are also diversifying. Shea butter, which is produced in Africa, is an indispensable raw material for making superior CBE. Shea butter has long been used in food products, but its popularity for use in cosmetics and other applications has also risen in recent years. The Fuji Oil Group wants to contribute through its business to the sustainable development of shea nut production areas from economic, social and environmental perspectives. Group company International Oils and Fats Ltd. in Ghana carries out the nut-sorting process for shea butter in-house, thus adding value to products on-site (Ghana) and contributing to the local economy and the creation of employment opportunities.

\* Shea nut: The shea nut is the seed of the fruit of the shea tree. Major producers include Nigeria, Mali, Burkina Faso and Ghana. Shea butter produced from the nuts is used in foods, cosmetics and soap.

## Specific initiatives

### Participation in the Global Shea Alliance (GSA)

The shea nut industry would be difficult to sustain without the harvesting work performed by what is claimed to be approximately 16 million women in West Africa. Therefore, achieving gender equality, securing living standards and ensuring worker safety at harvest are important. In addition, tree cutting to secure fuel for the local people's daily lives is among the issues that have been identified as an environmental problem. Because these issues cannot be resolved by one company alone, discussions are being conducted at the Global Shea Alliance (GSA), which is made up of 430 members in 31 countries (as of March 2017). We network with stakeholders and gather information through the GSA. As part of these efforts, the Fuji Oil Group participated in the international conference "Shea 2017: Seeds of Change" held in Cotonou, Benin in March 2017.



Shea tree

**Participation in a UNDP project (regional reconstruction, advancement of women and promotion of environmental protection through shea cultivation in Ghana)**

Fuji Oil Holdings and FUJI OIL EUROPE (Belgium) are considering participation in the Ghana Shea Landscape REDD ++ Project organized by the United Nations Development Programme (UNDP). This project is scheduled to promote multifaceted activities including creation of job opportunities, planting activities and support for community development so that the shea nuts industry can promote community revitalization and women's advancement and reduce negative impact on the environment.

# Stable procurement of raw materials

## Basic approach

Crop failure due to climate change and disruption of the supply chain due to natural disasters have a major impact on stable procurement of sustainably produced raw materials. As a response to these procurement risks, we strive to build a structure for stable procurement of raw materials under normal conditions.

## Basic Purchasing Policy

In 2010, Fuji Oil Co., Ltd. formulated the Basic Purchasing Policy, in accordance with which we conduct all procurement activities.

1. We stably procure high-quality raw materials from a wide variety of business partners at reasonable prices through fair and equitable deals while strictly complying with applicable laws and social norms.(Fairness, legal compliance and ethics)
2. In order to accomplish the above objectives, we achieve coexistence and co-prosperity with our business partners by deepening collaboration through joint creative activities.(Partnership)
3. In order to contribute to the realization of a society that can develop sustainably, we consider the global environment, labor, human rights, etc., in our procurement.(Social responsibility)

## Objective

Build a stable procurement system by 2020

## Progress

The following are ongoing measures.

- Increase in the number of production areas
- Purchasing from multiple suppliers
- Introduction of a cooperative purchasing system among group companies

## Specific initiatives

### Response to procurement risks due to climate change

Global warming will bring about higher temperatures, a rise in sea levels and changes in precipitation patterns, resulting in increased frequency of extreme

weather events such as floods, droughts and heat waves.

These climate changes are likely to affect the supply and demand of agricultural products, and therefore pose a significant threat to our stable procurement of raw materials, as our Group uses agricultural products as raw materials. To prepare for such risks, in addition to securing raw materials by concluding long-term contracts with particular suppliers who ensure a stable supply, we are promoting the procurement of raw materials from multiple sources and suppliers.

## **Response to procurement risks caused by large-scale disasters**

It is important to ensure business continuity for the entire supply chain in the event of a large earthquake or other natural disaster. As a countermeasure for the risk of delays in raw material supply due to disasters, Fuji Oil Group companies in Japan confirm the response systems of their suppliers through questionnaire-based surveys. In a business continuity plan (BCP) survey conducted in FY 2017, 72% of manufacturers responded that they will be able to continue supply based on the measures of their respective BCPs. For the 22% of manufacturers who responded that supply would not be possible until resumption of service and the 6% of manufacturers who responded that they would have problems handling raw materials, we are conducting follow-up checks and working to create a supply chain BCP and ensure continuity with alternative products, including purchasing from multiple sources.

Due to a labor shortage in Japan in recent years, and a particularly severe shortage of drivers, conditions have emerged that give rise to obstacles to timely delivery. To procure raw materials in a stable manner and continue business, we are promoting various measures in cooperation with our business partners, including storing delivered raw materials in warehouses around our business operations. To respond to these changes in the business environment, four group companies in Japan will conduct centralized purchasing, including sharing of raw materials, as part of a revision of the Group's supply chain to continue business.

## **CSR Procurement Guidelines and supplier surveys**

### **CSR Procurement Guidelines**

Under the belief that cooperation with business partners is essential to achieving sustainable procurement, we have drawn up and announced a list of matters requested of suppliers by four group companies in Japan – Fuji Oil Co., Ltd., TORAKU

FOODS CO., LTD., FUJI FRESH FOODS CO., LTD., , and OMU MILK PRODUCTS CO., LTD.  
– as our CSR Procurement Guidelines (2nd Edition).

▶ [CSR Procurement Guidelines \(2nd Edition\) PDF\(140KB\)](#) 

## **Conducting supplier surveys to promote stable procurement**

To ensure that procurement is undertaken in accordance with the CSR Procurement Guidelines (2nd Edition), in March 2016 we conducted a questionnaire-based survey of partner manufacturers and trading companies and identified companies that can maintain the safety of raw material supplies. In addition, in FY 2017, manufacturers and trading companies cooperated in our safety check of all the raw materials we use (factory inspections, etc.), and we confirmed that there were no major problems at 70% of manufacturers.

To improve food safety, we will make requests for reconfirmation and improvement, among other measures, at the other 30% of manufacturers, from whom we expect understanding and cooperation. In addition, based on the results of the BCP questionnaire conducted in November 2017, we will regularly disseminate our procurement policies and strengthen communication with our business partners so that we receive a “stable and continuous” supply of “reliable, safe and sustainable raw materials.”

# Sustainability

## Environment

### Basic approach

Giving utmost consideration to the global environment not only leads to reduced costs and the creation of economic value, but is also the very essence of our values based on the Fuji Oil Group Management Philosophy. The Fuji Oil Group conducts its business activities with consideration of their impact on the global environment, and based on the following four items it has established its Basic Policy of Environmental Integrity: 1. We strive to continuously improve our environmental protection activities; 2. We work in full compliance with the environmental laws & regulations and spirit thereof; 3. We endeavor to develop environmentally-friendly products and technologies; and 4. We make efforts to well communicate with society.

### Scope of reporting



(Japan)
Fuji Oil Co., Ltd.
TORAKU FOODS CO., LTD.
FUJI FRESH FOODS CO., LTD.
F&F CO., LTD.
Omu Milk Products Co., Ltd.
Fuji Kobe Foods Co., Ltd.

**(Japan)**

Fuji Tsukuba Foods Co., Ltd.

HANNAN TANK TERMINAL CO., LTD.

Chiba Vegoil Tank Terminal Co., Ltd.

**(Outside Japan)**

FUJI OIL ASIA PTE. LTD.

FUJI OIL (SINGAPORE) PTE. LTD.

PALMAJU EDIBLE OIL SDN. BHD. (MALAYSIA)

WOODLANDS SUNNY FOODS PTE. LTD. (SINGAPORE)

PT. FREYABADI INDOTAMA (INDONESIA)

Fuji Oil (Thailand) Co., Ltd.

GCB Specialty Chocolates Sdn. Bhd. (Malaysia)

Fuji Oil (China) Investment Co., Ltd.

FUJI OIL (ZHANG JIA GANG)CO., LTD. (CHINA)

Fuji Oil (Zhang Jia Gang Free Trade Zone) Co., Ltd. (China)

JILIN FUJI PROTEIN CO., LTD. (CHINA)

Tianjin Fuji Protein Co., Ltd. (China)

Shanghai Xuyang Food Co., Ltd. (China)

Shandong Longteng Fuji Foodstuffs Co., Ltd. (China)

FUJI OIL EUROPE (BELGIUM)

**(Outside Japan)**

FUJI VEGETABLE OIL, INC. (USA)

HARALD (BRAZIL)

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# Environmental Management

## Objectives

### Environmental Vision 2020

In FY 2010, the Fuji Oil Group set forth Fuji Group Environmental Vision 2020, which includes targets for reducing CO<sub>2</sub> emissions and the amounts of water usage and discharge by 20% from base year levels by the year 2020.

#### Fuji Group Environmental Vision 2020

In Japan
Global warming prevention: 20% reduction in CO <sub>2</sub> emissions by 2020 (compared to base year)
Conservation of water resources: 20% reduction in the amount of water usage/discharge by 2020 (compared to base year)
Recycling of resources: Recycling rate of at least 99.8% by 2020
Active earth greenery and biodiversity conservation activities

\* Base year: Mean value of the period 2003-2005 (Tokyo Cap-and-Trade Program)

#### Reduction at Group Companies Outside Japan (compared to base year)

Global warming prevention: 20% reduction in CO <sub>2</sub> emissions by 2020 (compared to base year)
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\* Base year: 2006

## Progress

In FY 2017, group companies in Japan reduced CO<sub>2</sub> emissions by 9.8%, the amount of water usage by 20.7% and the amount of water discharge by 20.4% from the base year. The decreases in the amount of water usage and the amount of water discharge met the targets of Environmental Vision 2020. We will continue efforts to promote day-to-day energy-saving activities, and reduce the amounts of water usage and discharge. We have maintained our resource recycling rate at the high level of 99.96%

## Formulation of new Environmental Vision 2030

The Fuji Oil Group will formulate a new Environmental Vision 2030 with a target year of 2030. It will set forth three items: 1. reduction of CO<sub>2</sub> emissions, 2. reduction of water usage, and 3. reduction of waste, and apply them in all group companies. In FY 2017, we examined and formulated 1. CO<sub>2</sub> reduction of CO<sub>2</sub> emissions.

### Reduction of CO<sub>2</sub> emissions

Since the Paris Agreement, efforts to prevent global warming and climate change have been gaining momentum. The Fuji Oil Group will also promote more aggressive measures to contribute to the prevention of global warming. The Group considered the formulation of Environmental Vision 2030 in line with the approach of Science Based Targets (SBT), which aims to hold the increase in global average temperature to less than 2°C above the pre-industrial level. As a result, in Environmental Vision 2030 we set a CO<sub>2</sub> emissions target of a 24% reduction by 2030, compared to the base year of 2016. In June 2018, the Group submitted a commitment letter to SBT, and aims to acquire SBT certification within two years.

### Reduction of water usage and waste

In FY 2018 we will continue to follow Environmental Vision 2020. We are planning to ascertain the current status of all Group companies during FY 2018 and formulate new targets for Environmental Vision 2030.

## Promotion System

### Group Environmental Management System

In the Fuji Oil Group Management Philosophy, we have declared "safety, quality, and the environment" as values that inform the actions of all our employees. On that basis, we have established our Basic Policy of Environmental Integrity, and promote its practice throughout the Group in our business activities, as well as initiatives to raise environmental awareness. The position of Chief Quality Officer (CQO), who is responsible for improving safety, quality and environmental levels from a global perspective, was newly established at Fuji Oil Holdings. We will continue to conduct Group-wide audits and monitoring of environmental measures to apply the Basic Policy of Environmental Integrity to our business activities.

## Educational and Awareness-Raising Activities



Meeting of Safety, Quality & Environment

The Fuji Oil Group holds a Meeting of Safety, Quality & Environment inside and outside Japan with the aim of raising awareness of safety, quality and the environment, and raising the level of each group company through the exchange of information and ideas. Seven group companies in China participated in the Meeting held at FUJI OIL (CHINA) INVESTMENT CO., LTD. in October 2017. At the Meeting, persons in charge of safety, health, quality assurance, and environmental conservation, mainly plant managers and production managers, gather in one location.

Group companies reported on activities undertaken in the previous fiscal year and their results, future tasks and other matters in addition to sharing information on occupational accidents that occurred. In addition, to ensure thorough implementation of Group policy, Fuji Oil Holdings explained the Fuji Oil Group Basic Policy of Safety, Quality and Environment and held a briefing session on the formulation of a new environmental vision.

We will continue to regularly hold meetings in these areas to further promote sharing of our value of “safety, quality, and the environment” throughout the entire Group.

### **Highlights: Incentives for Employees**

As of FY 2016, we have established a Safety, Quality & Environment category in our management awards program to recognize departments and group companies that have made excellent efforts to contribute to society through their business activities. Once a year, we present awards to companies and departments among the group companies that have achieved outstanding results.

### **ISO 14001 Certification**

To more rigorously manage the environmental impacts of its production activities, the Fuji Oil Group's production bases and group companies have obtained ISO 14001: 2015 certification, a globally recognized standard for environmental management systems.

In September 2000, the Hannan Business Operations Complex, which accounts for 85% of the Group's production volume in Japan, obtained ISO 14001 certification. By December 2010, all six of our six production plants and our research laboratories in Japan had obtained the certification.

See the following website for the latest status of ISO 14001 certification.

▶ <https://www.fujioilholdings.com/en/about/authen/iso14001/>

### **Environmental Audits**

#### **Overview of safety, quality and environment-related audits**

The Fuji Oil Group carries out in-house audits on safety, quality, and the environment according to the contents stipulated within our Basic Policy of Safety, Quality and Environment with the goal of improving manufacturing controls at our group companies.

Audits are promoted by not just performing checks, but also by explaining why they are important. By verifying, evaluating, and offering advice on the initiatives of each group company through these audits, we will continue working to prevent accidents related to workplace safety, quality, and environmental conservation, while also improving and boosting productivity.

## Environmental Audits

The Fuji Oil Group and its group companies in Japan perform in-house environmental audits every year that cover production bases and every department to monitor compliance with all applicable environmental laws and regulations. In addition, every year these same bases and departments are inspected by an external ISO certification body.

In FY 2017, 56 departments from group companies in Japan underwent in-house environmental audits and external audits. No nonconformities were found. In-house environmental audits were also conducted at 13 bases outside Japan.

Going forward, we will continue to conduct these audits and to streamline the auditing system, review our procedure manuals, and make on-site improvements.

## Serious environment-related violations and measures

In FY2017, there were no serious violations in the environmental area in the Fuji Oil Group.

## External evaluations

### Received the Osaka Stop Global Warming Awards Special Prize in FY 2017



Award ceremony

In December 2017, Fuji Oil Co., Ltd. received the Osaka Stop Global Warming Awards Special Prize for FY2017. These awards are presented by Osaka Prefectural Government to honor businesses that have made outstanding efforts in areas including reduction of greenhouse gas emission in their business activities. We received the award in recognition of achieving a 1.3% year-on-year reduction in greenhouse gas emissions in FY 2016 due to proactive introduction of equipment and operational improvements at Fuji Oil Co., Ltd.

## Evaluation and preferential tax treatment under Japan's Energy Conservation Act

For the three consecutive years from FY 2015 to FY 2017, Fuji Oil Co., Ltd. has received an "S evaluation," the highest rating, under the "Business Operator Classified Evaluation System" based on the regular reporting to which specified business operators and specified chain operators are subject pursuant to Japan's Act on the Rational Use of Energy (Energy Conservation Act).

In addition, Fuji Oil Co., Ltd. is a business eligible to receive tax measures under the Energy Conservation Promotion Taxation System of the Incentives for Investment in Advanced Energy Conservation and Renewable Energy established in Japan's 2018 tax reforms. These tax measures allow for the receipt of preferential tax treatment such as special depreciation when designated equipment as set forth in the

mid- to long-term plan of the Energy Conservation Act is newly acquired within the applicable period and used for business purposes.

## Data

### Environmental Audit Results (In-house Environmental Audits, External audit) (Group Companies in Japan)

(Unit/Post)

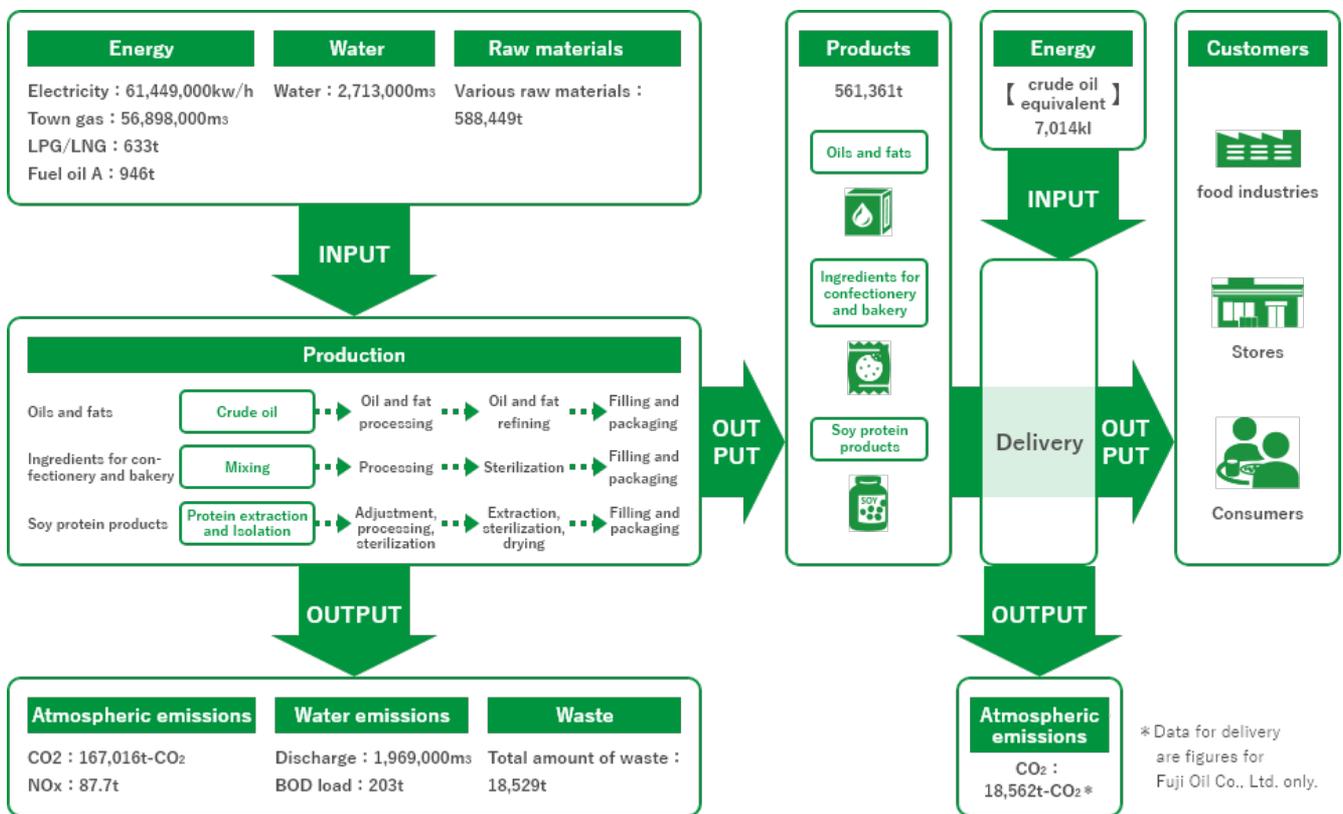
		In-house environmental audits	External audit
FY 2013	Nonconformity	0	0
	Monitoring required	59	2
FY 2014	Nonconformity	0	0
	Monitoring required	79	6
FY 2015	Nonconformity	0	0
	Monitoring required	67	6
FY 2016	Nonconformity	0	0
	Monitoring required	54	8
FY 2017	Nonconformity	0	0
	Monitoring required	26	5

Note: Audits of 56 departments (including documentation audits of 23 departments)

### Overview of Environmental Impacts (Input/Output)

The Fuji Oil Group records and analyzes inputs, such as materials and energy, and outputs, such as waste, from raw material procurement to production and logistics, in order to mitigate environmental impacts of its business activities.

### Overview of Environmental Impacts from business activities of domestic group companies



## Environmental accounting

Environmental costs and benefits were calculated in accordance with the Environmental Accounting Guidelines 2005 published by the Ministry of the Environment of Japan.

### Scope of tabulation

Fuji Oil Co., Ltd. (non-consolidated)

### Period

April 2017 to March 2018

### Calculation methods

Investment amount: Where 50% or more of the investment amount was for environmental protection, the entire amount was considered an environmental investment.

Depreciation: The declining-balance method of depreciation was used for all investments in the prior six years for which 50% or more of the amount was for environmental protection. The depreciation period was set at 10 years in all cases.

Costs that were directly known were tabulated in their entirety. Costs that could not be directly known were calculated and tabulated based on the percentage pertaining to the actual application.

Economic benefit realized from environmental protection was recorded only where demonstrated.

### Environmental costs

(Million yen)

Category	Key Activities	FY2013		FY2014		FY2015		FY2016		FY2017	
		Investment	Expenses								
Business area cost		108	930	108	991	360	908	401	1,202	846	1,313
Details	(1) Pollution prevention cost	15.9	358	36.6	353	67	351	67	407	352	420
	(2) Global environmental conservation cost	16.1	260	54.2	326	271	223	287	374	486	486
	(3) Resource recycling cost	76.5	311	16.9	312	22	334	47	422	8	407
Upstream / downstream cost	Introduction of cardboard-free facilities, premiums of green purchases, etc.	78	18	118	35	1	27	0	3	0	3
Administration cost	Development / maintenance of ISO 14001 management system, employee training, creation of environmental reports, etc.	—	239	—	248	—	238	0	236	0	236
R&D cost	Research on advanced use of resources, etc.	—	147	—	142	—	139	0	142	0	130
Social activity cost	Cleanup activities around plants, support for groups engaged in environmental conservation, etc.	—	3.44	—	4.07	—	3.65	0	3.51	0	3.51
Environmental remediation cost	Pollution load charges	—	7.85	—	8.13	—	7.27	0	5.93	0	5.93
<b>Total</b>		<b>187</b>	<b>1,345</b>	<b>226</b>	<b>1,429</b>	<b>361</b>	<b>1,323</b>	<b>401</b>	<b>1,593</b>	<b>846</b>	<b>1,691</b>

## Environmental benefits

Note: Data from 2013 onward have been changed due to a revision of the range of the totals, including conversion coefficients.

Category	Environmental Performance Indicator	Unit	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Benefit related to resources input into business activities	Energy consumption per unit of production	L/t	174.9	158.7	153.4	149.1	152
	Amount of water usage	Thousand m <sup>3</sup>	2,870	2,759	2,845	2,859	2,713
	Water discharged per unit of production	m <sup>3</sup> /t	5.69	5.16	5.16	4.90	4.83
Benefit related to waste or environmental impact originating from business activities	CO <sub>2</sub> emissions per unit of production	kg- CO <sub>2</sub> /t	342	309	300	291	299
	Amount of water discharged	Thousand m <sup>3</sup>	2,058	1,993	2,073	2,069	1,969
	Water discharged per unit of production	m <sup>3</sup> /t	4.05	3.73	3.60	3.54	3.51
	Amount of waste discharged	/t	18,543	18,456	18,439	19,850	18,529
	Waste discharged per unit of production	kg/t	65.1	21.7	12.4	17.0	33.0
Benefit related to goods and services produced from business activities	Waste recycling rate	%	99.97	99.96	99.97	99.94	99.96

Some figures may be different from those published in last year's report due to changes made to the energy conversion coefficient and other data.

## Economic benefit associated with environmental conservation activities

(Million yen)

Category	Details	Amount				
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenue	Profit from sale of valuable materials obtained through waste recycling (soy pulp, waste oil, used cardboard)	17	18	20	21	14
Cost reduction	Cost reduction through waste reduction activities	160	173	176	156	164
<b>Total</b>		177	191	196	177	177

## Efforts by Theme 1. Reduction of CO<sub>2</sub> emissions

### Objective

See the Environmental Management section

▶ <https://www.fujioilholdings.com/en/csr/environment/management/>

### Progress

#### Group Companies in Japan

In FY 2017, CO<sub>2</sub> emissions at group companies in Japan were 167,016 t- CO<sub>2</sub>, a decrease of 1.7% from the previous fiscal year. CO<sub>2</sub> emissions per unit of production \* increased by 2.4%. Efforts to reduce electricity consumption through a revision of the air compressor system and a decrease in production volume were factors that decreased emissions. However, the impact of a decline in production efficiency due to the lower production volume and an increase in product changeovers resulted in an increase in emission per unit.

Unit: CO<sub>2</sub> emissions per ton of production volume

#### Group Companies outside Japan

In FY 2017, CO<sub>2</sub> emissions from Group companies outside Japan were 324,066 t- CO<sub>2</sub>, a decrease of 5.0% from the previous fiscal year. We implemented the following as measures to reduce CO<sub>2</sub> emissions.

- June 2017: PALMAJU EDIBLE OIL SDN. BHD.(Malaysia) renovated its former facility as a new high-efficiency facility.

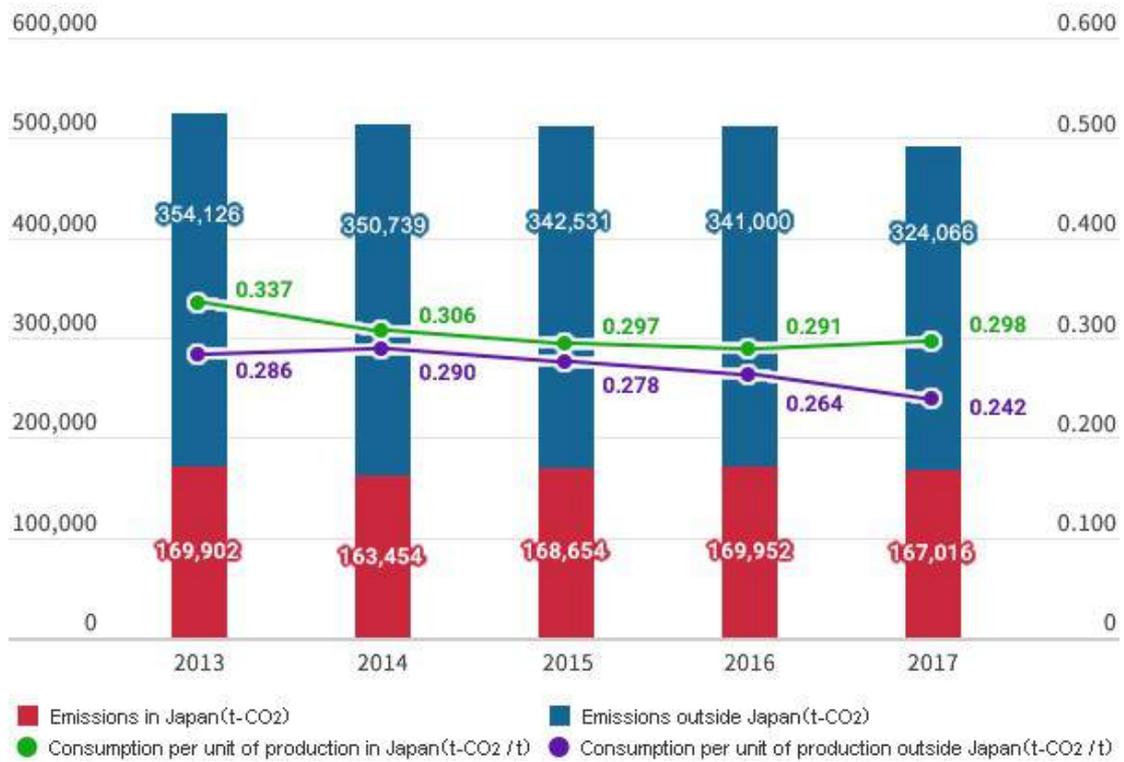
- November 2017: Fuji Oil (Zhang Jia Gang) Co., Ltd. (China) converted some boilers from diesel to gas.
- December 2017: PT. FREYABADI INDOTAMA (Indonesia) converted its boilers from diesel to gas.

## **Third-party Verification of CO<sub>2</sub> Emissions**

For a more accurate understanding of its CO<sub>2</sub> emissions, the Fuji Oil Group received its first verification by a third party in April 2018. Through the verification, we conducted a review of our method for obtaining activity levels and CO<sub>2</sub> emission factors. As a result, CO<sub>2</sub> emissions by group companies in Japan were 167,584 t- CO<sub>2</sub> and CO<sub>2</sub> emissions by group companies outside Japan were 303,415 t- CO<sub>2</sub>. During the current fiscal year we are promoting initiatives to further increase the accuracy of our figures and will reflect these figures in future CO<sub>2</sub> reduction activities.

Greenhouse gas emissions

Total energy consumption (CO<sub>2</sub> emissions equivalent) and energy consumption per unit of production



Total energy consumption (CO<sub>2</sub> emissions equivalent) and energy consumption per unit of production



Fuji Oil Group Scope-1, 2 energy consumption (CO<sub>2</sub> emissions)

## Sources of emission factors

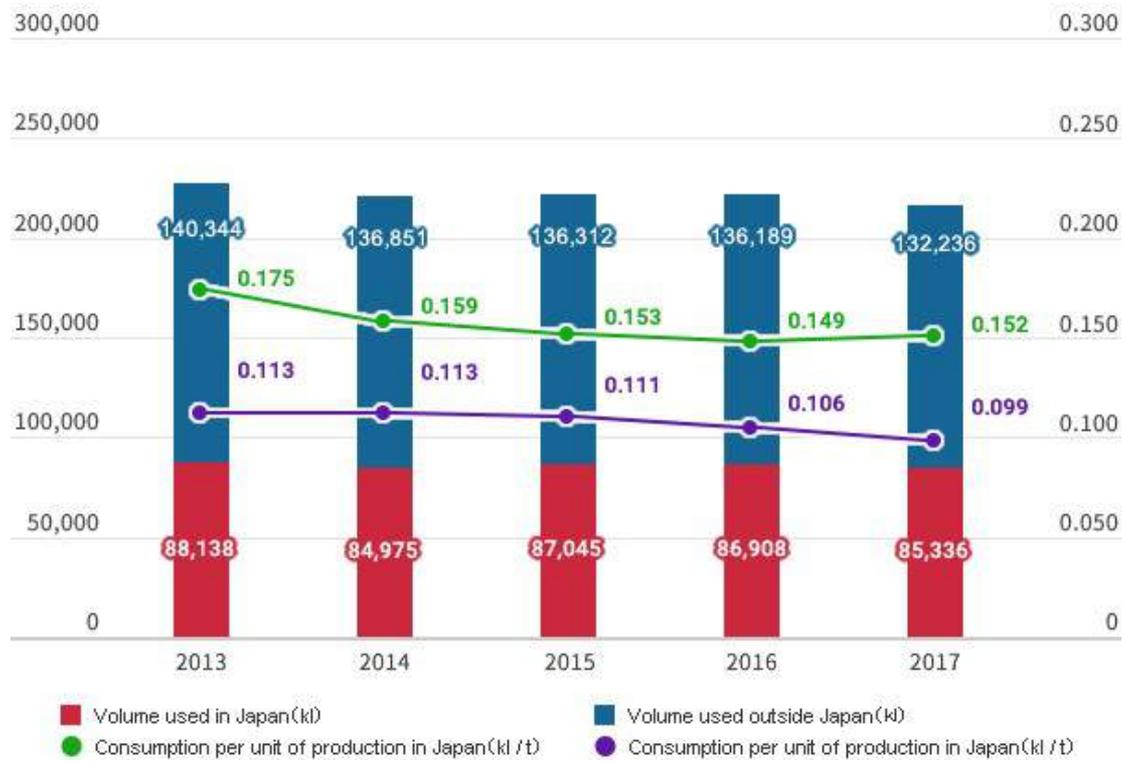
	In Japan	Outside Japan
<b>Fuel</b>	"Manual for Calculating and Reporting Greenhouse Gas Emissions"	
<b>Electricity</b>	"Manual for Calculating and Reporting Greenhouse Gas Emissions" Default value factor 0.555 tons/MHh	

## Sources of emission factors used for third-party verification

	In Japan	Outside Japan
<b>Fuel</b>	"Manual for Calculating and Reporting Greenhouse Gas Emissions"	"Manual for Calculating and Reporting Greenhouse Gas Emissions"
<b>Electricity</b>	"Manual for Calculating and Reporting Greenhouse Gas Emissions" Factor by supplier	Emission factors by country from the International Energy Agency's "CO <sub>2</sub> Emissions from Fuel Combustion" North America: United States Environmental Protection Agency

## Energy consumption

### Total energy consumption (crude oil equivalent) and energy consumption per unit of production



### Fuel consumption

(Unit: kl)

	Light oil	Heavy oil	LPG	LNG	Coal	City gas
<b>In Japan</b>	0	954	276	595	0	71,645
<b>Outside Japan</b>	707	0	943	10,452	32,882	39,536
<b>Total</b>	707	954	1,219	11,047	32,882	111,181

## Total power consumption

(MWh)

	Total electric energy	Electric energy produced in-house
<b>In Japan</b>	150,185	104,495
<b>Outside Japan</b>	189,344	0
<b>Total</b>	339,529	104,495

## Efforts by Theme 2. Reduction of water usage

### Objective

See the Environmental Management section.

▶ <https://www.fujioilholdings.com/en/csr/environment/management/>

### Progress

The amount of water used by Group companies in Japan in FY 2017 was 2,713 tons, a decrease of 5.1% from the previous fiscal year. This was due to activities to reuse drainage water as a supplementary feed for cooling towers. Water usage by group companies outside Japan totaled 2,392 tons, a decrease of 4.1% from the previous fiscal year.

Wastewater at group companies in Japan totaled 1,969 tons, a decrease of 4.8% from the previous fiscal year. Wastewater at group companies outside Japan totaled 1,116 tons, a decrease of 18.0% from the previous fiscal year.

### Specific Initiatives

#### Risk and opportunity management and measures

#### Risk and opportunity management techniques

We assess the water-related impacts of our business activities in terms of both risks and opportunities. We manage water-related risks as part of the risk management systems of all group companies. We utilize water-related opportunities in our business strategies by quantitatively ascertaining the impact of certain products based on the concept of virtual water.

See the following website for the Fuji Oil Group's risk management system.

▶ [https://www.fujioilholdings.com/en/csr/risk\\_management/](https://www.fujioilholdings.com/en/csr/risk_management/)

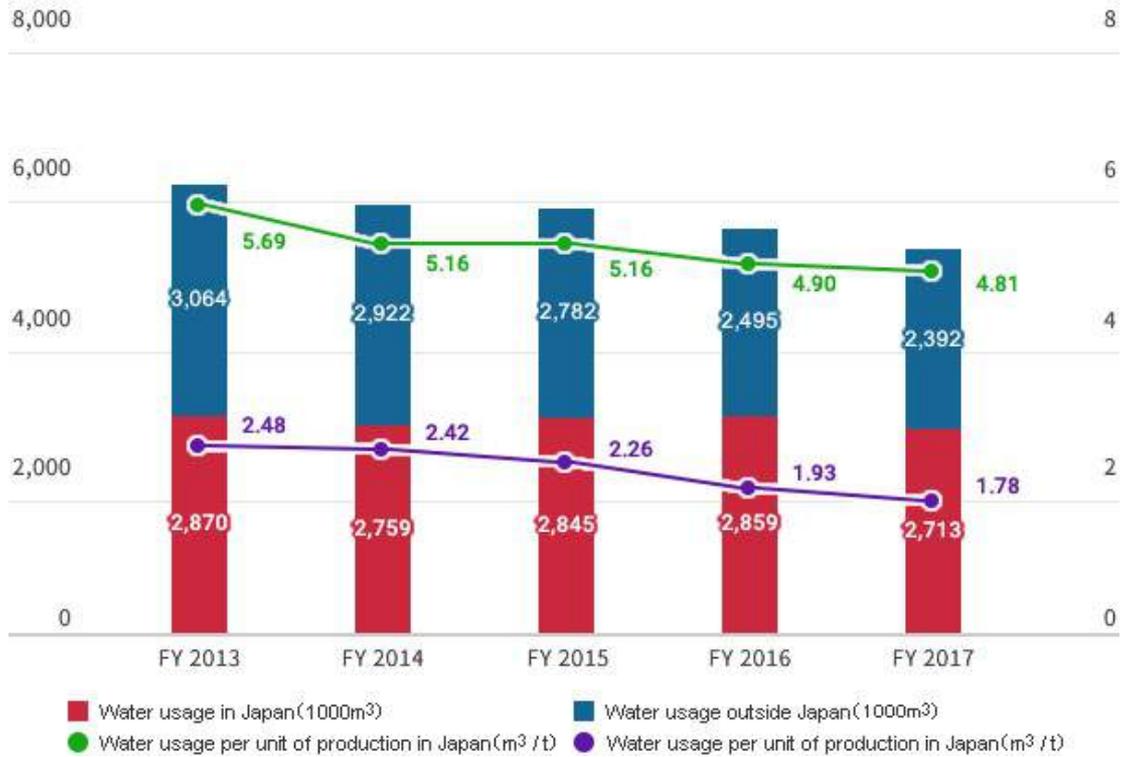
## **Water risk**

A Group-wide risk assessment in FY 2017 determined a risk at some operating companies in China that procurement of water used in production activities may have a negative impact on the operating region in regions where water shortages are a concern, and that there may be instability in securing water resources by group companies. We regularly ascertain the volume of water usage at our plants and work to reduce it, and are taking countermeasures by installing water storage tanks.

## **Water-related opportunities**

Lack of water resources due to population growth is a global issue. Soybeans, which are one of the Fuji Oil Group's businesses, contain abundant proteins and water consumption during production is lower than for animal protein sources. The Group develops soy-based ingredients such as soy meat and cheese-flavored soy milk ingredients, which use a smaller amount of water throughout the supply chain than animal meat and cheese, and offers them to society.

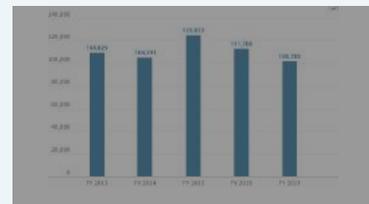
### Annual water usage and water usage per unit of production



Annual water usage and water usage per unit of production



Annual wastewater and wastewater per unit of production



Recycled water volume for the Hannan Business Operations Complex of Fuji Oil Co., Ltd.

## Efforts by Theme 3. Waste reduction

### Objective

See the Environmental Management section.

▶ <https://www.fujioilholdings.com/en/csr/environment/management/>

### Progress (Reasons for change from previous year and efforts towards targets)

In FY 2017, total waste discharged by group companies in Japan was to 18,529 tons, a decrease of 6.7% from the previous fiscal year. The recycling rate remained at a high level of 99.96%. At group companies outside Japan, total waste discharged increased by 27.3% compared with the previous year. This was due to the adoption of fees for certain wastes due to a change in regulations in China and their addition to total wastes.

### Measures for food recycling

Group companies in Japan are working to reuse food waste pursuant to the Food Recycling Act. The amount of food waste generated was approximately 31,727 tons in FY2017, a decrease of approximately 8,086 tons from the previous fiscal year. The recycling rate rose by 0.8 points from the previous year to 99.5%.

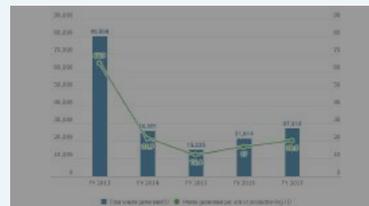
The Act sets a target for the food manufacturing industry of reuse of 85% or more of recyclable food resources, but the Fuji Oil Group has achieved a higher level of 97.3% or more since it first set a target in FY 2007 and will continue to maintain it. We will continue our efforts to maintain this level in the future.

Total waste discharged (food and other wastes)

Fuji Oil Group in Japan total waste discharged and recycling rate



Fuji Oil Group in Japan total waste discharged and recycling rate



Total waste discharged and waste discharged per unit of production by Group companies outside Japan

## Efforts by Theme 4. Climate change

### Basic approach

Climate change has been recognized as an important issue for society's realization of sustainable development. As a member of society, we regard the impact (risks and opportunities) that climate change can have on the Fuji Oil Group as an issue in the business strategies of Fuji Oil Holdings and each Group company. We strive to help resolve this issue by reducing the negative impact of our business activities on climate change.

### Risk and opportunity management and countermeasures

#### Risk and opportunity management techniques

Fuji Oil Holdings, which is responsible for formulating the Group's overall management strategy, manages the risks and opportunities associated with climate change. From their specialized viewpoints, the CSR and Risk Management Group, environment-related groups and various other departments gather information on climate change from publicly disclosed data and through dialogue with industry groups, stakeholders and others and utilize it in planning strategies. Our strategy regarding climate change is reported at meetings of the ESG Committee, which is an advisory body to the Board of Directors, and proposed to the Board of Directors. We manage risks caused by climate change through the Group-wide risk management system.

See the following website for our methods of managing the risk management system.

- ▶ [https://www.fujioilholdings.com/en/csr/risk\\_management/](https://www.fujioilholdings.com/en/csr/risk_management/)

## Climate change-related risks (FY 2017)

<b>Regulatory risk</b>	Risk of decreased production at some group companies in China as a result of operational restrictions from the administrative authorities where their plants are located
<b>Physical risk</b>	Risk of injury to employees, damage to equipment and suspension of production if a hurricane directly hits the operating area of a group company in the United States
<b>Other risks</b>	Risk of conflict with the Fuji Oil Group's procurement policy and damage to stakeholder trust from procurement of raw materials (palm oil) cultivated in a way that could negatively affect climate change, such as the destruction of forests with high conservation value

## Climate change-related risks (FY 2017)

There is a shortage of livestock feed due to drought, and as a result beef cattle production is decreasing and beef cattle prices are rising. In addition, amid concerns about the negative impact of beef cattle production on climate change, there are expectations of the adoption of "Meatless Mondays" in some parts of Europe and the United States and an increase in flexitarians (a term coined by combining "flexible" with "vegetarian," meaning people whose diets are oriented toward vegetables but who occasionally eat meat or fish). These changes are expected to expand the market for plant proteins, with soybeans at the forefront.

## Opportunities due to climate change (FY 2017)

<b>Regulations</b>	Local governments in some parts of the West Opportunity to increase demand for Fuji Oil soy protein ingredients due to promotion of “Meatless Mondays” by some local governments in Europe and the United States and expansion of plant protein market
<b>Physical impact</b>	Opportunity for increased demand for the Fuji Oil Group’s soy protein products such as soy meat if beef cattle production declines due to a livestock feed shortage caused by drought or other factors
<b>Other impacts</b>	Opportunity for increased demand for Fuji Oil soy protein ingredients from expansion of the plant protein market due to the accelerating increase in millennials and other consumers who are concerned about the issue of climate change

## Efforts by Theme 5. Reduction of packaging materials

### Measures to reduce the environmental impact of packaging materials

The container and packaging of a product plays the important role of protecting the product's quality so that it reaches the customer in safe and secure condition. However, it is also a fact that most packaging become waste after use by customers. Fuji Oil Co., Ltd. promotes the "3Rs" (reduce, reuse, recycle) for containers and packages as its basic approach. Among these three measures, we are strengthening measures to "reduce." For cardboard, we are promoting lighter and thinner packaging corresponding to the appropriate strength for the weight of the contents and temperature range of use, and reducing labels and mounts by switching from pasting on labels to a direct printing method using an inkjet printer. Other measures we are promoting include switching from small containers to large-capacity containers that can be reused. We will continue to proactively work to reduce environmental impact in the production and transportation process by reducing packaging materials.

## Efforts by Theme 6. Biodiversity

### Potential impact of business activities on biodiversity

The Fuji Oil Group recognizes that due to the nature of being a food manufacturer, its raw material procurement and production activities can have an impact on biodiversity. Specifically, there is a possibility that reduced biodiversity due to the raw materials (agricultural crops) in its production areas, water discharged as a result of its production activities or other factors may impair biodiversity in its operating areas. We recognize these effects and are making efforts to reduce negative impacts on biodiversity.

### Measures to Conserve Biodiversity

#### Procurement focusing on biodiversity

The Fuji Oil Group, which uses agricultural produce as key raw materials, believes that it should actively promote efforts to conserve biodiversity. As for palm oil, whose production causes biodiversity loss due to farmland reclamation, we declare our commitment to the goal of sourcing deforestation-free palm oil with our Responsible Palm Oil Sourcing Policy. We also participate in an educational support project for smallholders, through which we work to improve productivity in the abundantly biodiverse Kinabatangan district of Sabah, Malaysia, with the goal of preventing deforestation for farmland reclamation and chemical pollution of rivers, thereby contributing to the conservation of biodiversity.

See "Sustainable Procurement" for more information on our Responsible Palm Oil Sourcing Policy and support activities for smallholders

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

## Continuous implementation of Hannan-no-Mori Project

The Hannan Business Operations Complex has implemented the Hannan-no-Mori Project to restore satoyama forest in the Kaminogo area of Izumisano City (Osaka Prefecture), under the Adopt-a-Forest system.\* In this project, Fuji Oil Group employees continued to participate in forest development activities such as forest maintenance in FY 2017. In addition, since March 2018 we have been participating in the creation of a park in the Izumisano hillside green belt in Osaka Prefecture. At the site, local volunteers, Osaka Prefecture and the company work together to engage in forest development, bamboo forest management and other work and conduct activities to cultivate park greenery.

\* Adopt-a-Forest system: A system aimed at supporting participation by the general public in forest development through mediation by Osaka Prefectural Government between companies and forest owners.



Cutting bamboo in the Izumisano hillside green belt



Members participating in the Hannan-no-Mori Project

# Hitozukuri (Fostering People)

## CONTENTS LIST

Basic approach

Human resource development **Priority theme**

Achievement of Diversity **Priority theme**

Penetration Awareness of Compliance **Priority theme**

### Basic approach

We believe that recruiting human resources who hold diverse values and cultivating them to carry out “challenges and innovation” is a key resource for the Fuji Oil Group’s ongoing creation of value for society. We strive to create a workplace that allows highly motivated employees to play an active role in the Fuji Oil Group’s global operations and display their abilities to the fullest. This will lead to improvement in the quality of our products and services and the growth of our company. Our aim is to remain a corporate group that is trusted by society.

## Human resource development

### Basic approach

The Fuji Oil Group considers its human resources to be the key to creating value for society. We have established our Human Resources Policy based on the idea that a company and its employees support each other’s growth.

#### Human Resources Policy

1. Providing highly motivated employees with a workplace where they are encouraged to make the most of their abilities.

2. As a global company, providing a working environment where a diverse range of employees are encouraged to play an active role.
3. Establishing and operating a fair and equitable personnel system (appraisal/benefits/training).
4. Providing well-structured educational and training programs and creating a corporate culture that supports the fostering of one's skills and capabilities.
5. Supporting diversified working styles and providing a safe workplace that is comfortable to work in.

## Objective

By 2020, build the foundation of a global personnel system that identifies and cultivates human resources with the potential to play an active role globally and in each area.

## Progress (Measures to achieve the objective)

In FY 2017, we focused on development of the global human resources who will be responsible for conducting our global expansion and cultivating the managers who will play an active role at the center of management. In FY 2018, we will promote the establishment of a global personnel framework to strengthen the foundation for development of our human resources.

## Specific initiatives

### Introduction of global personnel framework

To continue contributing to society, the Fuji Oil Group will establish a framework to evaluate the implementation of the Fuji Oil Group Management Philosophy, which contains the fundamental principles shared by its employees. We plan to incorporate content tailored to the culture and customs of each region and country while reflecting our core values. As the group-wide utilization and training of human resources become increasingly important, we intend to build a global personnel system covering areas including identification, selection, training and deployment of management and capable human resources.

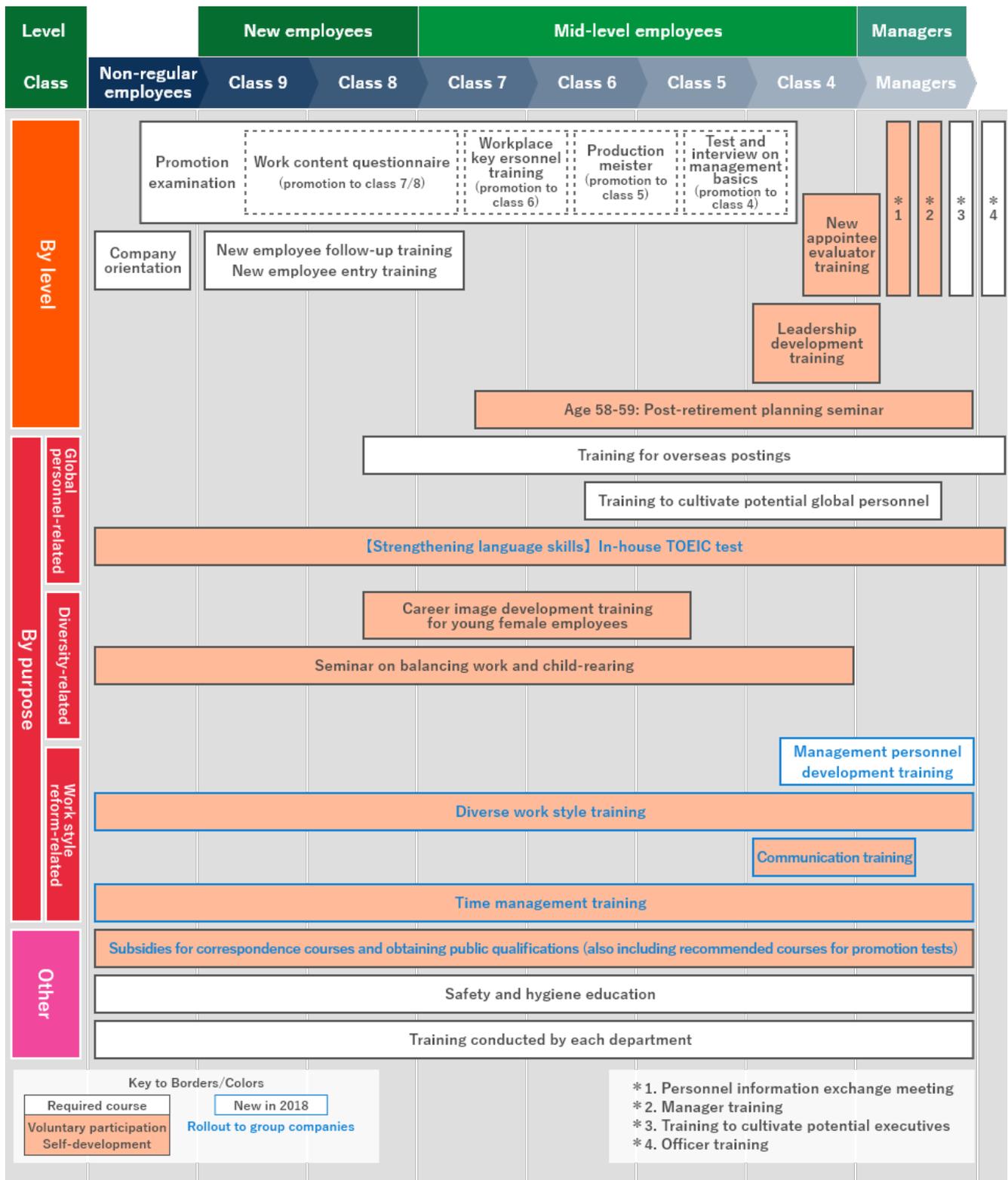
Through these activities, we aim to promote the diversity of the Fuji Oil Group.

### Career Support System

Fuji Oil Co., Ltd. provides training programs based on employee level, including for executives, managers, general employees and new hires, to help build up professional skills. We also support employees' skill development through various programs, such as dispatching employees to external seminars at their request, and providing financial assistance to employees taking correspondence courses. In addition, we have established

a forum for employees to discuss their own careers and take advantage of opportunities for success through annual interviews with supervisors based on a "Career Advancement Communication Sheet" that summarizes each employee's goals.

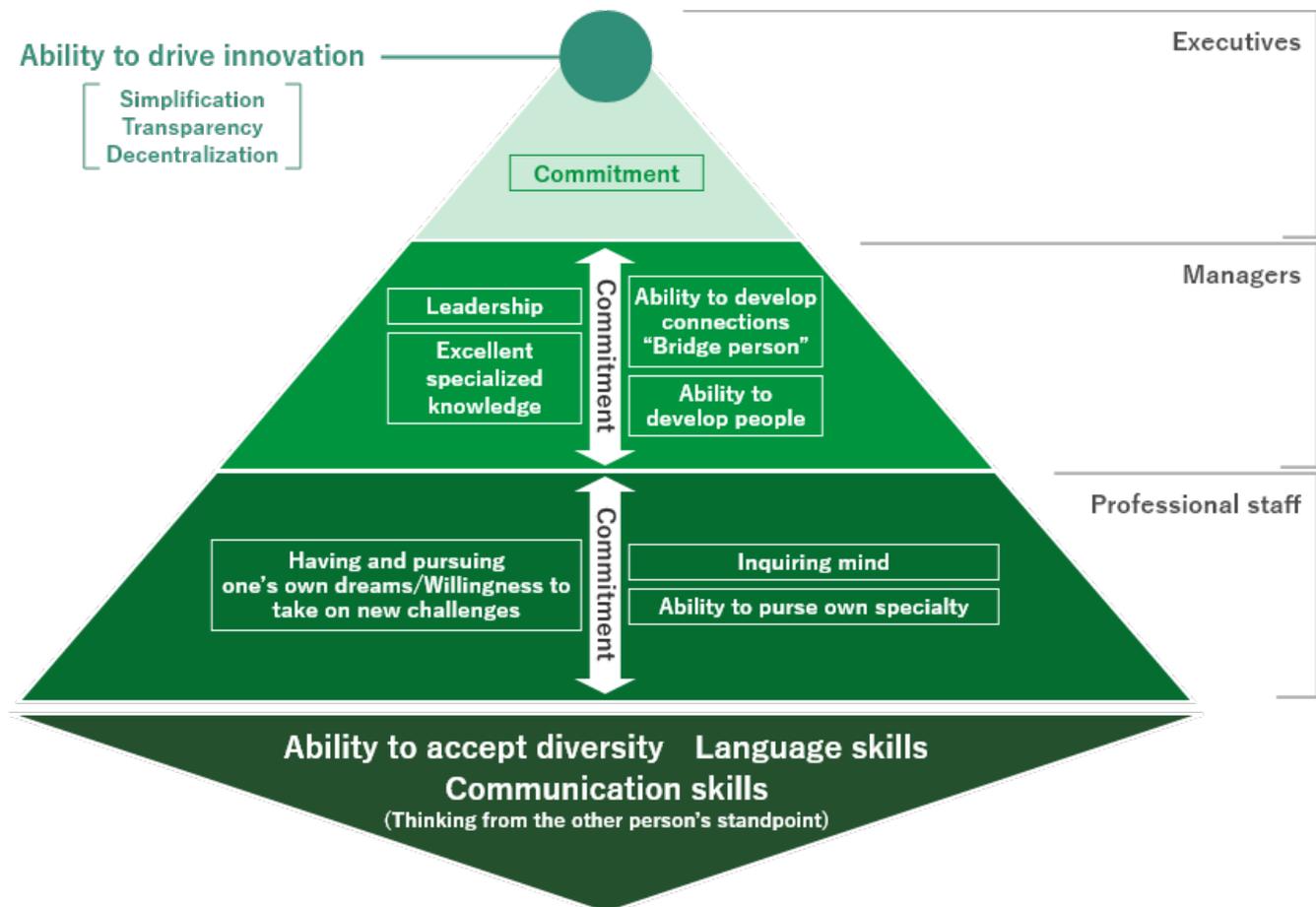
### Fuji Oil Co., Ltd. training system (FY 2017)



## Development of global human resources

The Fuji Oil Group advocates the development of global human resources in the personnel strategy of its Mid-Term Management Plan. Based on the idea that the growth of a company arises from the growth of its people, we are conducting initiatives to recruit, promote and develop human resources who can demonstrate their capabilities globally.

### Skills and abilities that the Fuji Oil Group expect its employees to have in order to be global human resources



### Training global human resources (Japan)



To cultivate global human resources who can perform consistently, whether in Japan or overseas, Fuji Oil Co., Ltd. has been conducting global human resource training as a new initiative since FY 2016. Over a period of about six months, the program provides training

in areas including global communication, MBA knowledge, leadership skills and language skills (English), and conducts presentations for executives. Thirteen people attended training in FY 2017, including staff who had worked outside Japan, those expected to do so and those working with global business partners. Linkage with career path training will lead to cultivation of global executives.

### **<Comment from a participant in FY 2017 global human resource development training>**

Akimasa Koshida,  
IR Team Leader and Manager,  
IR & Corporate Communication Group,  
FUJI OIL HOLDINGS INC.

By participating in the global human resources development training program, I was able to learn the essentials of communication for working globally. Communication is at the core of IR work. I use what I learned from this training in various aspects of my job, including meetings with overseas investors, who have become more proactive in recent years, and presentations inside and outside the company. I will strive to maintain and add to the know-how I gained from training through its practical application.

### **Human resource development program at Harald (Brazil)**

Harald, which joined the Fuji Oil Group in 2015, emphasized human resource development programs during FY 2017 to promote understanding of the Group's values and other matters. This training aimed not only to help participants achieve better results at work but also to build character. The president, executive officers, managers, and coordinators shared their expertise in human resources management to achieve better results in their respective organizations.

To understand and practice the values of the Fuji Oil Group, Harald set aside various weeks for raising awareness. All employees participated in an in-house awareness raising week on the environment and occupational safety and health, taking action to prevent accidents both inside and outside the company. During product quality week, employees gained a deeper understanding of quality management certifications such as GMP, HACCP, and FSSC22000 in order to improve product quality. The company also conducted educational activities on operation and techniques to help employees use methodologies and analysis to quickly resolve problems in the course of their work.

These human resource development programs are helping Harald improve employee knowledge to promote new initiatives.

### **Leadership development training**

To strengthen the pool of assistant managers and future managers, Fuji Oil Co., Ltd. began conducting leadership development training in FY 2016, and 57 people took the course in FY 2017. Through this training, attendees came to recognize the approaches a leader should take and to objectively understand their own current situation and issues. In addition to the group workshops and seminars, supervisors are closely involved from post-training feedback interviews and creation of on-the-job training plans to reviews, which leads to steady growth. In addition, the detailed understanding of the potential of our human resources that we gain will be useful in future talent management, such as for dispatching the right person to the right job and long-term career development.

### **Personnel system reform**

To survive fierce global competition, Fuji Oil Co., Ltd. has been conducting reforms of its personnel system since FY 2015. The reform is based on three pillars: salary system reform, personnel evaluation system reform, and promotion of human resource development.

## <Progress of personnel system reforms>

Fiscal year	Item implemented	Details
FY 2015	Management Personnel system reform	Salary system reform (introduction of pay based on job classification) Evaluation system reform (clarification of responsibility for results) Human resource development promotion (multifaceted evaluation)
FY 2016	Union members Promotion screening process reform	Systematic implementation as an opportunity for education, development and self-improvement
FY 2017	Expansion of flextime system	Elimination of reasons for use
FY 2018 (scheduled)	Union members Personnel system reform	Salary system reform (abolition of age-linked wages / allocation according to results / adjustment of allowances to fit individual circumstances)

## Employee attitude surveys

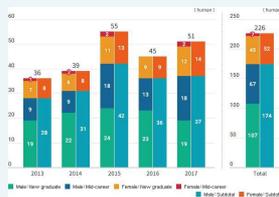
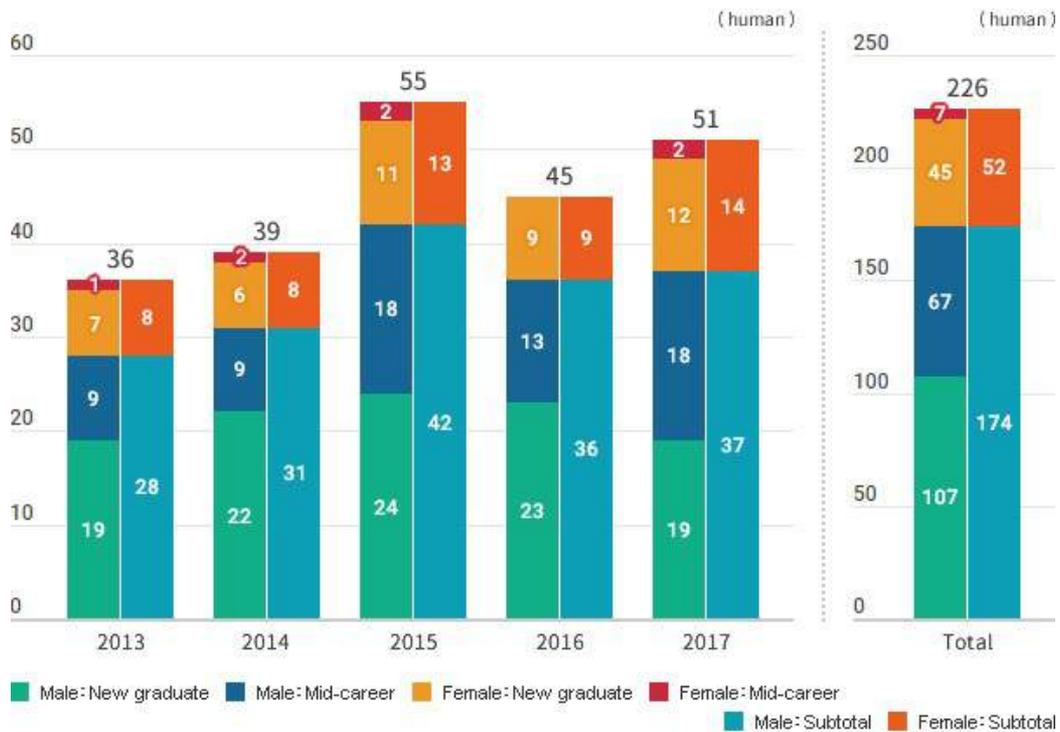
The Fuji Oil Group regularly conducts employee attitude surveys in Japan to help create a workplace where employees can work with vigor and in good health. The frank opinions collected from a wide range of perspectives on the workplace environment, systems and other matters are useful as a reference for various measures.

## Data

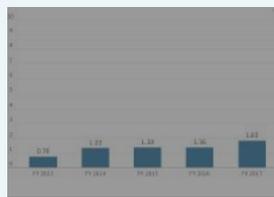
### Expenses for development of human resources

Total training expenses in FY 2017 (approximate)	Approximately ¥35,200,000
Training expenses per employee	Approximately ¥24,110

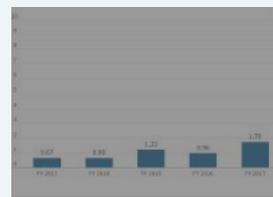
## Number of new hires



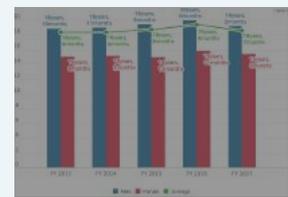
Number of new hires



Total turnover rate for regular employees



Voluntary turnover rate for regular employees



Average years of continuous employment

Note: Figures for 2015 and thereafter are the total for FUJI OIL HOLDINGSINC. and Fuji Oil Co., Ltd. Figures for 2013 and 2014 are for Fuji Oil Co., Ltd. before the shift to a holding company structure.

## Achievement of Diversity

### Basic approach

Amid constant changes in the values of society, the Fuji Oil Group must understand those changes and provide value that helps to resolve social issues in order to continue to fulfill its

corporate social responsibilities as a food manufacturer. The ability of diverse human resources to display their values and individuality will be a key resource in this regard.

### **Fuji Oil Basic Diversity Policy**

We will accelerate the creation and delivery of new value to society by seeking talented individuals from diverse backgrounds and fostering a corporate culture where everyone can demonstrate their abilities to the fullest.

1. Pay attention to diversity in personnel composition at all stages of employment, including recruitment, training and job assignment/promotion.
2. Implement flexible personnel systems so that diverse human resources can fully demonstrate their abilities.
3. Use diverse human resources in a strategic manner, thereby contributing to society and the growth of the company.

## **Objectives**

- Ratio of women in managerial positions of 20% by 2020 (Japan)
- Establishment by 2020 of an environment in which diverse employees, including older and disabled employees, can work with vigor (Japan)

## **Progress**

We promoted the creation of a system to facilitate diverse ways of working including the expansion of the flextime system and introduction of a work-at-home system. To facilitate communication and capitalize on diverse values, we created rules for meetings based on survey results and reorganized the company intranet.

## **Specific initiatives**

### **Support for active participation**

#### **Support for the active participation of women**

To continue contributing to society through business activities as a food manufacturer, it is important for the Fuji Oil Group to stay up to date with social changes. We are focusing on supporting the active participation of our female employees so they can fully demonstrate their sensibilities and capabilities, which will be indispensable for that purpose.

As of April 2018, the ratio of women in managerial positions in Fuji Oil Co., Ltd. in Japan is 8.24%,\* and we are striving to provide opportunities and nurturing with a target of over 20% by FY 2020. Furthermore, Hiroshi Shimizu, President and CEO of FUJI OIL HOLDINGS

INC., endorsed the "Declaration on Action by a Group of Male Leaders Who Will Create a Society in Which Women Shine\*\*」 (logo shown to right). We will accelerate our activities to encourage active roles for women in the workplace.

\* Scope of total: FUJI OIL HOLDINGS INC. + Fuji Oil Co., Ltd. – Employees temporarily transferred overseas

### **\*\* A Group of Male Leaders Who Will Create a Society in Which Women Shine**



Support for the  
"Declaration on Action  
by a Group of Male Leaders  
Who Will Create a Society  
in Which Women Shine"

Following the kick-off meeting for "Supporting Women to Shine" held on March 28, 2014 at the office of the Prime Minister, there has been a nationwide movement by leaders in various industries to support women who will and do shine in various fields. In conjunction with this, male leaders of the companies that had been actively promoting the empowerment of women announced the "Declaration on Action by a Group of Male Leaders Who Will Create a Society in Which Women Shine."

### **Hiring of regional limited employees and regular employees**

From FY 2017, Fuji Oil Co., Ltd. changed the status of its "semi-regular employees," who had fixed-term employment contracts, to "regional limited employees" without a fixed term. Moreover, the Group conducts a test once a year for highly motivated non-regular employees wishing to become regular employees. In FY 2017, four non-regular employees passed the test and were promoted to regular employees. We will continue to actively promote talented and highly motivated individuals to regular employees through this system.

## **Support for the active participation of older workers**

Fuji Oil Co., Ltd. has set its retirement age at 60, but has a reemployment system in place for older workers that allows employees to extend their employment to the maximum legislated retirement age of 65. Individual interviews are held one year before retirement and at the time of retirement to offer job assignments according to each person's motivation and abilities. In addition, since FY 2016 we have conducted a "Life Plan Seminar" for employees in their late fifties to consider their post-retirement life plans. The seminar provides an opportunity for participants to achieve self-fulfillment at a relatively early stage by drawing a concrete picture of their work-life balance after retirement.

## **Strategic employment of foreign nationals**

Fuji Oil Co., Ltd. recruits people of various nationalities whose skills and capabilities meet its business needs. Non-Japanese employees are working in various fields such as research and development, planning and administration. In addition to plans to hire new graduates from Thailand and China during FY 2018, we are promoting the appointment of qualified local staff to senior executive positions in group companies outside Japan.

## **Support for the active participation of disabled people**

For many years, Fuji Oil Co., Ltd. has consistently promoted the employment of people with disabilities. Efforts have included steadily raising awareness in-house and increasing opportunities for participation while considering the characteristics of each individual.

## **Reform of working styles**

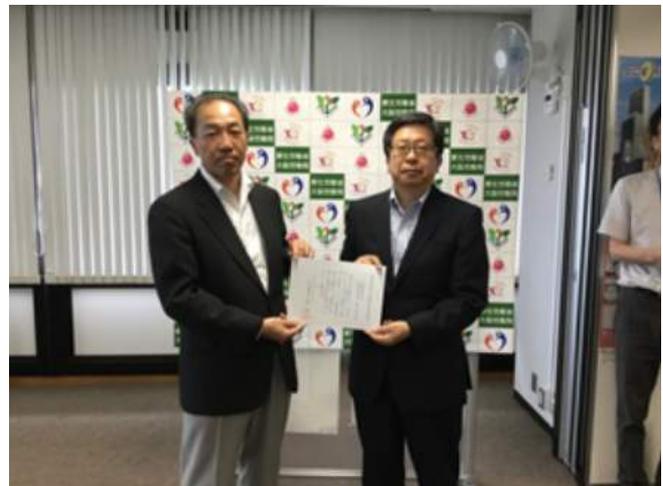
### **Support for active career development**

## Support for active career development

Programs	
During pregnancy	<ul style="list-style-type: none"> <li>• Interview prior to childcare leave (with HR staff, supervisor and leave-taker)</li> <li>• Consultation services during pregnancy (poor physical condition, etc.)</li> </ul>
During childcare leave	<ul style="list-style-type: none"> <li>• Guaranteed bonus (20%)</li> <li>• Extension of childcare leave (until the end of April in the child's second year)</li> <li>• Information sharing through company-provided iPad</li> <li>• Child-rearing concierge service (including support for finding a nursery school)</li> <li>• Interview prior to returning to work (Confirmation of working style after returning to work, using the communication sheet)</li> </ul>
After returning to work	<ul style="list-style-type: none"> <li>• Shortened working hours (until the child enters the first year of elementary school)</li> <li>• Follow-up exchange meeting for employees returning to work after childcare leave, with the participation of supervisors</li> <li>• Subsidy for babysitter and childcare support service expenses</li> <li>• Work-at-home system</li> <li>• Temporary leave for accompanying spouse on overseas assignment</li> <li>• Comeback Entry Program (Rehiring system)</li> </ul>

## External Evaluation

As an evaluation of the initiatives described above, Fuji Oil Co., Ltd. has been awarded “the Platinum Kurumin Mark”, a certification with even higher requirements than the Kurumin Mark.



Receiving “the Platinum Kurumin Mark”

## Dialogue between Labor and Management

Fuji Oil Co., Ltd. recognizes the importance of dialogue between labor and management and, as such, has focused on building a relationship of mutual trust.

The management and the labor union actively discuss labor issues, holding an informal central labor-management session every month where both parties exchange information on the company's business conditions and its business policy. Furthermore, the management and the labor union hold labor-management consultation sessions to discuss the promotion of employees, bonus payments and a review of in-house rules, when necessary, in line with the labor contract. Both parties will enter into negotiations and discussions on these matters after fully sharing information on the company's earnings position, business trends, various management-related issues and social trends. With increasing globalization of business, accelerating population aging, and growing emphasis on work-life balance, it is increasingly necessary to promote diversity. We will therefore work to establish a personnel system that supports diversity.

## Data

### Use of various programs

#### Number of program users by gender (Fuji Oil Co., Ltd. + FUJI OIL HOLDINGS INC.)

(Employees)

	Male	Female	Total
<b>Number of employees who took childcare leave in FY 2017 (including pre- and post-partum leave)</b>	28	28	56
<b>(including pre- and post-partum leave) (for childcare)</b>	0	18	18
<b>Number of employees who took nursing care leave in FY 2017</b>	1	2	3
<b>Three-year retention rate of employees who took childcare leave in FY 2014*</b>	100.0%	80.0%	88.9%

Note: FY 2017 retention rate of employees who took childcare leave in FY 2014

#### Percentage of annual paid vacation days taken (FY 2017: Fuji Oil Co., Ltd. + FUJI OIL HOLDINGS INC.)

<b>Percentage of annual paid vacation days taken</b>	59.3%
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## Employee Data

### Number of the Fuji Oil Group employees by region

(as of March 31, 2018 for Group companies in Japan and December 31, 2017 for Group companies outside Japan)

(Employees)

	Japan	Europe and America	Asia	Total (Consolidated)
<b>Total</b>	1,855	874	2,308	5,037
<b>Male</b>	1,501	702	1,717	3,920
<b>Female</b>	354	172	591	1,117

### FUJI OIL HOLDINGS INC. Breakdown of employee (as of March 31, 2018)

(Employees)

	Male	Female	Total
<b>Regular employees*/temporary employees</b>	103	29	132
<b>Regional limited employees</b>		1	1
<b>Contract employees</b>	0	0	0
<b>Average age (of employees)</b>	47 years, 8 months	37 years, 2 months	45 years, 1 month

Note: Includes executive officers

**Fuji Oil Co., Ltd. Breakdown of employees** (as of March 31, 2018)

(Employees)

	Male	Female	Total
<b>Regular employees*/temporary employees</b>	906	176	1,082
<b>Regional limited employees</b>	105	52	157
<b>Contract employees</b>	59	29	88
<b>Average age (of employees)</b>	43 years, 5 months	39 years, 2 months	42 years, 8 months

Note: Includes executive officers

**Number of the Fuji Oil Group managers**

(as of March 31, 2018 for Group companies in Japan and December 31, 2017 for Group companies outside Japan)

(Employees)

	Japan	Asia	Europe and America
<b>Male</b>	348	176	70
<b>Female</b>	28	58	19
<b>Total</b>	376	234	89

**Number of FUJI OIL HOLDINGS INC. Officers** (as of March 31, 2018)

(Employees)

<b>Male</b>	11
<b>Female</b>	1
<b>Total</b>	12

## Rehiring (FY 2017 / Fuji Oil Co., Ltd. + FUJI OIL HOLDINGS INC.)

People rehired	17
Rehiring rate	77.3%

## Recruitment of disabled people (FY 2017 monthly average / Fuji Oil Co., Ltd. + FUJI OIL HOLDINGS INC.)

Disabled people recruited	28.6
Recruitment rate for disabled people	1.81%

## Penetration Awareness of Compliance

### Basic approach

The Fuji Oil Group complies with laws and regulations, as well as internal policies and rules, as a matter of course, and views acting with a strong sense of ethics in daily business operations as crucial to meeting the expectations and needs of society (i.e. stakeholders). This basic concept of compliance is included in the Fuji Oil Group Management Philosophy, which we formulated when the Group shifted to a holding company structure in October 2015.

### Promotion System

#### Persons and organizations in charge

The ESG Committee has been voluntarily established as an advisory body of the Board of Directors. As of April 2018, the committee consists of the Solutions through Creation of Foods Subcommittee, the Safety, Quality and Environment Subcommittee, the Human Resources Development Subcommittee, the Sustainable Procurement Subcommittee, and the Governance Subcommittee. Compliance promotion issues are raised at the Human Resources Development Subcommittee and reported to the Board of Directors and top management.

#### Establishment of a hotline system

In Japan, The Fuji Oil Group's Whistleblower Hotlines have been set up, in which compliance-related issues of employees of FUJI OIL HOLDINGS INC., its group companies, and some subcontracting companies in Japan are addressed by internal staff members or external parties (lawyers). A hotline system for employees at group companies outside Japan (The Fuji Oil Group's Compliance Helpline) is also available.

To create an environment that facilitates reporting, our hotline system includes a Whistleblower Hotline outsourced to an external law firm to ensure the confidentiality and anonymity of informants. Approximately 10 reports are received annually from the entire Group. We promptly investigate the details of the reports, make necessary corrective measures and provide feedback to the informant. We are striving to make our hotline system more widely known throughout the entire Group.

## Monitoring compliance systems

In cooperation with Audit & Supervisory Board members and departments responsible for internal audits, we monitor the status of compliance implementation, including at overseas group companies. From FY 2018, we will visit overseas group companies and begin on-site inspection activities using a compliance checklist (prepared in consideration of laws, regulations and risks specific to the region).

## Objectives

By 2020, we aim for the penetration of the values and principles of the Fuji Oil Group Management Philosophy throughout the entire Group.

## Progress

In FY 2017, we were involved in various activities aimed at contributing to spreading and raising the awareness of compliance. The following are representative examples of the measures implemented.

- Group training about important laws and regulations and compliance was conducted at individual group companies inside and outside Japan.
- Teaching materials were created to make the Fuji Oil Group's basic approaches, systems and rules well-known at overseas group
- Activities were conducted to inform employees about the hotline system (The Fuji Oil Group's Compliance Helpline) for group companies outside Japan and to promote its use.
- Information was provided on an ongoing basis to employees throughout the Group on the compliance intranet portal site, the contents of which were updated periodically (monthly).
- A compliance awareness survey was conducted at group companies outside Japan.

## Specific initiatives

### A framework for thorough compliance

#### Business Conduct Guidelines

We revised the Fuji Oil Group Business Conduct Guidelines, which explain our principles of action in the Fuji Oil Group Management Philosophy using representative case studies encountered in various daily duties, and are successively distributing them to all employees in booklet and PDF form. The guidelines are available in seven languages, including Japanese.

#### Compliance training

We visit some domestic and overseas bases to acquire an understanding of the on-site situation and needs while raising awareness of areas of compliance that require attention. In addition, we conduct compliance training in cooperation with the Human Resources Department for all employees, including new employees and those seconded overseas, at their career milestones. From FY 2018, we will step up educational activities at overseas group companies and work on developing e-learning programs (in Japanese, English, and Chinese) for domestic and overseas employees.

## Prevention of corruption

### Basic approach

We focus on educational activities to prevent bribery as a key area of compliance for fair transactions in addition to compliance with antitrust laws.

### Anti-corruption countermeasures

The Fuji Oil Group focuses on raising awareness in regions where the risk of corruption is high. For example, in FY 2017 we conducted educational activities at group companies in China. Through dialogue with local staff as well as group training, we strive to be conscientious and convincing in conveying the importance of compliance in this area and the magnitude of losses in the event of a violation.

### Political contributions

The Fuji Oil Group does not make political donations.

**Sustainability**

# Health Management

**CONTENTS LIST**

▾ [Basic approach](#)

▾ [Promoting Occupational Safety and Health](#) **Priority theme**

▾ [Maintenance and Promotion Employee Health](#) **Priority theme**

**Basic approach**

In the Fuji Oil Group Management Philosophy, we set forth our Vision of contributing to society by offering delicious and healthy foods. The health of each employee is the foundation of value creation for the Fuji Oil Group, which aims to contribute to society in the field of health. We strive to ensure occupational safety thoroughly and health and to maintain and improve employee health so that our employees can work with vigor, both physically and mentally.

## Promoting Occupational Safety and Health

**Basic approach**

The Fuji Oil Group Management Philosophy places "safety, quality and the environment" as the first of its values, and among them, "safety" is the issue we must give the highest priority for our continuing growth. In the area of safety and health, the Fuji Oil Group established its Health Management Declaration in January 2017 upon setting the following six items of its Basic Policy of Safety and Health. We are aiming for zero lost-time injuries for all our employees and workers at our businesses sites under the slogan,

"Let's create a safe workplace together by observing the rules and sharing our experience."

### **Basic Policy of Safety and Health**

1. The base of our thought is the dignity of human life.
2. The base of our safety activities is the participation by all our officers and employees.
3. Every manager has a responsibility of safety control.
4. Good physical and mental health makes you a safer worker.
5. Making our workplace safe.
6. Becoming aware of and avoiding safety risks.

## **Promotion system**

### **Promotion system**

The position of Chief Quality Officer (CQO), with responsibility for improving safety, quality and environmental levels from a global perspective, was newly established at FUJI OIL HOLDINGS INC.. Under the CQO, the company's Production Productivity Management Group collaborates with the Fuji Oil Group's regional headquarters and regional representative as well as group companies under their jurisdiction to evaluate each production base through occupational safety and health audits in line with the principles set forth in the Fuji Oil Group Management Philosophy. In doing so, it works to eliminate accidents and raise the level of management.

### **Educational and awareness-raising activities**

Recognizing the prevention of labor accidents at manufacturing sites as one of its most important responsibilities, the Fuji Oil Group implements various measures. Our measures to reduce labor accidents include the following: conducting surveys to identify dangerous operations and situations that can lead to accidents, promotion of the PDCA cycle for risk management, and daily "hiyari-hatto (near-miss events)" activities.

As a preventive measure against human error at our sites in Japan, in March 2016 we started "Yubisashi Kosho (pointing and calling) Promotion 2017 Activities" under the slogans "Call and point" and "Point once for each operation." We are currently working to establish the practice of "pause and confirm," which is the basis of occupational safety.

At sites outside Japan, the entire Group is working together to prevent labor accidents by conducting various safety activities including safety meetings. At FY 2017 safety meetings, we discussed the status of occurrence of labor accidents in FY 2016 and countermeasures.



Meeting at a group company outside Japan to explain the Group's safety management system



Assembly at a business site

## Highlights: Employee Incentives

In FY 2016, we established a new management award category to recognize departments and group companies that have made excellent efforts in the fields of “food safety, security, and quality,” “the environment” and “occupational safety and health.” In FY 2017, one site in Japan received the grand prize and two overseas sites received runner-up awards in recognition of their environmental performance and for having no labor accidents during FY 2016.

## Objective

Continue to prevent all serious accidents at all group companies

## Progress

The Fuji Oil Group works to reduce labor accidents by collecting and analyzing data on the conditions that led to labor accidents at group companies in Japan and overseas, and providing feedback to the group companies.

In FY 2017, the number of labor accidents at group companies in Japan totaled 23. This was a decrease of four from the previous year, although the number of lost-

time injuries increased by one. The majority of labor accidents involved lower back pain, burns and bruises. The number of labor accidents at group companies outside Japan in FY 2017 was 54, a decrease of 15 from the previous year, and lost-time injuries decreased by 8. However, they included a serious accident that involved being caught in automated packaging equipment and an accident caused by coming in contact with an operating machine, as well as burns and falls. We will continue to focus on preventing the occurrence of labor accidents by ensuring that all workers exercise proper safety precautions and follow the specified procedures while working with machinery.

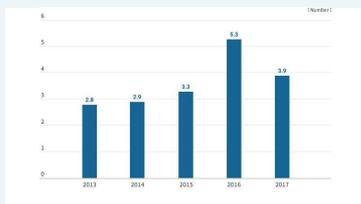
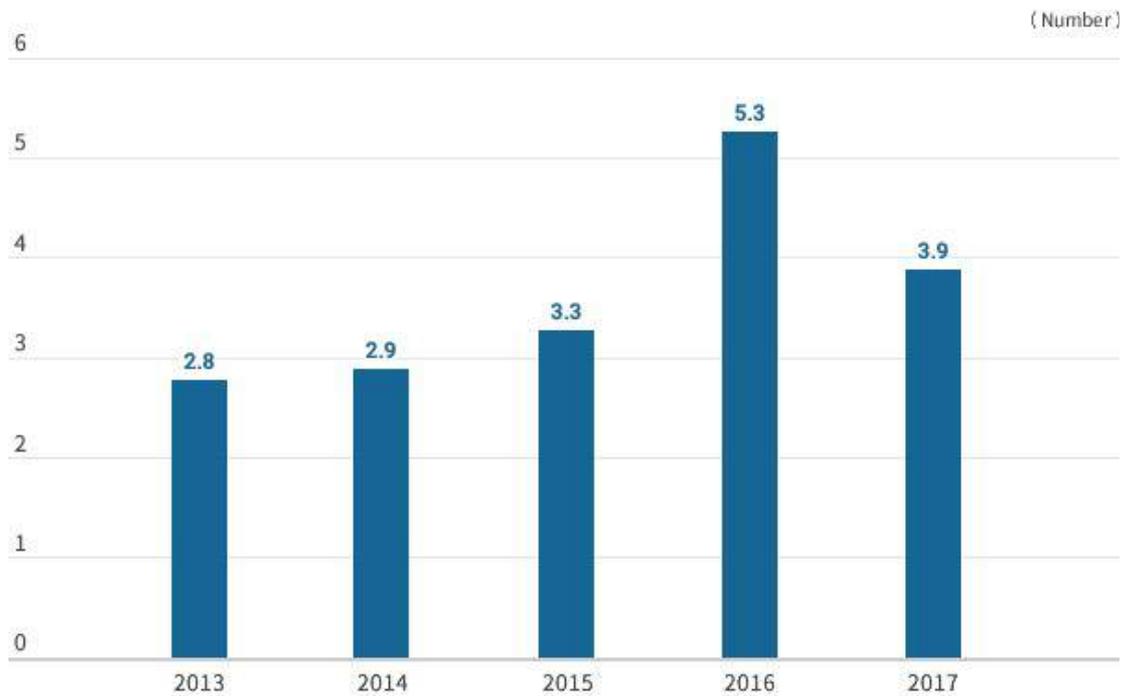
## **Data**

These data show the number per thousand workers, frequency rate, and severity rate of labor accidents for employees of the Fuji Oil Group.

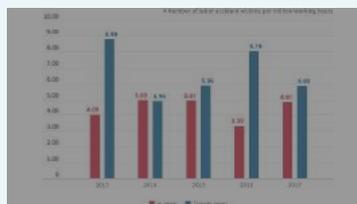
Because the number of labor accidents decreased at group companies inside and outside Japan, both the annual rate per thousand workers and the frequency rate declined year on year. However, due to a serious accident at a group company outside Japan that involved being caught in automated packaging equipment, the severity rate increased sharply from the previous year.

## Labor accidents

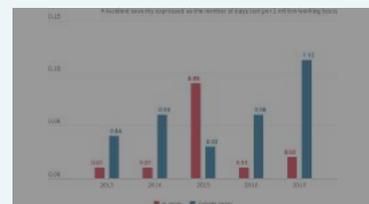
### Fuji Oil Group Number of Lost-Time Injuries per Thousand Employees (4 Days or More)



Fuji Oil Group Number of Lost-Time Injuries per Thousand Employees (4 Days or More)



Fuji Oil Group Frequency Rate of Labor Accidents\*



Fuji Oil Group Severity Rate of Labor Accidents\*

## Status of acquisition of management certifications

### Status of acquisition of OHSAS18001 certification (as of March 2018)

Woodlands Sunny Foods Pte. Ltd. (Singapore)

Pt. Freyabadi Indotama (Indonesia)

PT. Musim Mas-Fuji (Indonesia)

## Maintainance and Promotion Employee Health

### Basic approach

In January 2017, we announced the Fuji Oil Group Health Management Declaration, which states that we will proactively engage ourselves in health management. Based on this declaration, we have set "contributing to society by creating the future of delicious and healthy foods" and "ensuring the health and happiness of Fuji Oil Group employees" as the objectives of our Mid-Term Management Plan. We will continue to take actions to support our employees in maintaining and improving their health in such areas as prevention of lifestyle-related illness and mental health problems.

### Fuji Oil Group Health Management Declaration

In Fuji Oil Group's Management Philosophy, we set forth our Vision: "We seek to contribute to the society by creating the future of delicious and healthy foods using our core technologies in oils & fats and soy."

Health is important not only for the happiness of our employees and their families but also to raise the strength of our Group. So here, Fuji Oil Group declares that we proactively engage ourselves in Health Management.

The highest priority in Health Management is the health and happiness of our employees. If our employees can enjoy their lives and work actively, it will lead to the enhancement of our corporate value. In Health Management the most important thing is individual awareness of health. In other words, we need to take care of our own health by ourselves. We all will keep 'health' in mind, and will work "ethically, righteously, positively and vigorously." We can then work for people, solve their problems, and drive forward our contribution to the society.

As part of Health Management, we take actions to support our employees to sustain and

improve their health. Specifically, we shall implement initiatives in such areas as prevention of lifestyle-related illness and mental health problems, and also activities to promote physical strength.

1st of January, 2017

FUJI OIL HOLDINGS INC.

President and CEO Hiroshi Shimizu

## **Promotion system**

We established a Health Management Promotion Office in the HR Division of Fuji Oil Co., Ltd., to work on plans for various measures and improvements to health-related issues. We have also established a health support system consisting of occupational physicians, public health nurses, nurses, occupational health counselors and other experts. The progress of health management and related issues are discussed as themes by the Human Resources Development Subcommittee of the ESG Committee, an advisory body of the Company's Board of Directors, and reported by the ESG Committee to the Board of Directors.

## **Educational and awareness-raising activities**

In FY 2017, we introduced health measurement instruments (for blood pressure, body composition and activity level) on a trial basis for employees to manage their own health. A questionnaire after the trial introduction made it clear that these mechanisms to measure and manage health (habitual self-monitoring and self-management) improved employee awareness of their own health. We also intend to enhance health guidance by creating unified management through a health management system (for visualization of health management). As educational measures, we will encourage greater awareness among employees of managing their own health through their participation as lecturers in food education activities (food education project) and planning and implementation of physical fitness promotion events.

## **Objectives**

We have established the following objectives for 2020.

- Improve health awareness among employees and actively conduct health promotion measures.
- Establish a system to enable visualization of employee health condition.

- Reduce the incidence of lifestyle-related diseases among employees and the number of employees with mental health issues.
- Roll out measures to group companies in Japan and overseas.

## Progress

- Established promotion system (enhanced health guidance and health management promotion system)
- 100% of employees received health examinations and secondary examination rate improved
- Implemented stress checks and encouraged all Fuji Oil Co., Ltd. employees to receive counseling
- Reformed employee awareness of health (trial introduction of health measurement system)
- Developed delicious and healthy company cafeteria menus (using Fuji Oil Co., Ltd.'s soy products)
- Recognized in the large enterprise category (White 500) of the Certified Health and Productivity Management Organization Recognition Program (recognized in February 2018)

## Specific initiatives

### Measures to Protect Employees

We conduct various regular health examinations. In FY 2017, the rate of employees at Fuji Oil Co., Ltd. who received health examinations was 100% (95.9% for secondary examinations).

To help prevent mental health problems, in addition to conducting stress checks we recommend counseling for all employees. In FY 2017, 91.4% of employees took stress checks.

In the future, we intend to enable visualization of the physical and mental health of our employees through the introduction of a health management system, and will roll out measures to group companies in Japan and overseas by conducting surveys on health management status and health consciousness.

## **Highlights: Results of stress check implementation**

Stress checks are useful for improving workplaces. In FY 2017, we created workplace improvement plans and conducted follow-up training for high-risk workplaces based on the results of stress checks.

## **Changing Attitudes about One's Own Health**

We intend to raise awareness of health by establishing the habit of self-monitoring and self-management (awareness of one's own health condition and of managing one's own health) using a health measurement system and enabling visualization of health condition using a health management system.

## **Measures and Education for Improving Eating Habits and Activities to Promote Physical Fitness**

In addition to planning lectures on improving eating habits (food education) and training for supervisor-provided care and self-care to prevent mental illness, we promote the provision of delicious and healthy menus that proactively incorporate Fuji Oil Co., Ltd.'s soy and other products at company cafeterias in Japan. As measures to promote physical fitness, we will plan and carry out events such as walking and yoga classes at each business site.

## **External Recognition: Certified as an Excellent Enterprise of Health and Productivity Management (White 500)**

In February 2018, FUJI OIL HOLDINGS INC. was certified as an Excellent Enterprise of Health and Productivity Management 2018 (White 500) under the Excellent Enterprise of Health and Productivity Management certification system conducted by Japan's Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. By continuing to promote health management throughout the Group, we will strive to earn a positive evaluation and trust from stakeholders.

## Health Examinations

Fuji Oil Co., Ltd.			Total of business sites in Japan	
			2017	
			(Employees)	(%)
Rates of employees receiving examinations and anomaly observation	(Total)	Number of employees eligible to receive health examinations	1,307	—
	(Total)	Number of examinees	1,307	100.0
	(Total)	Number of employees with observed anomalies	1,107	84.7
Secondary health examination/Treatment required	Number of employees subject to second health examination/Treatment required		582	44.5
	Not examined /Not reported		24	4.1

## Working hours

	Work record data for FY 2017	
<b>Working hours per employee</b>	159.8	Hours/Month
<b>Average monthly overtime per employee</b>	15.1	Hours/Month

## 3. Rate of absence due to illness

<b>Rate of absence due to illness*</b>	1.27	%
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\* Includes only employees taking time off or leave for injury or illness.

# Risk Management

## CONTENTS LIST

- ▶ **Effective Risk Management** Priority theme
- ▶ **Creation of a Corporate Governance System** Priority theme

## Effective Risk Management

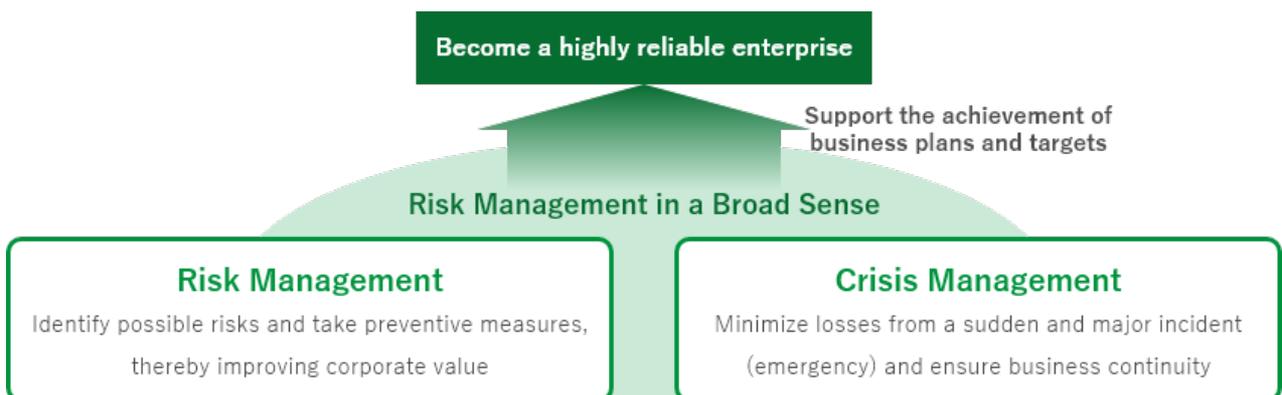
### Effective Risk Management

#### Basic approach

For the Fuji Oil Group, Risk Management\* is intrinsic to implementation of its management strategies. In order to continue to contribute to society through food, we consider Risk Management to be indispensable from the perspective of business continuity, conforming to laws and responding to the expectations and demands of society, including our shareholders and investors. By promoting Risk Management, we aim to become a highly reliable enterprise that earns the trust of society.

\* Risk Management: Preventing the occurrence of risks related to corporate management and minimizing losses and impact when risks occur, to achieve business plans and targets

#### Positioning of Risk Management in the Fuji Oil Group



## Promotion System

### Promotion System

The parties at FUJI OIL HOLDINGS INC. responsible for Risk Management are the Chief Financial Officer (CFO) and the Governance Subcommittee of the ESG Committee, which is an advisory body of the Board of Directors.

Reports and studies regarding Risk Management are conducted by the ESG Committee. The status of Risk Management in the Fuji Oil Group is regularly reported to the Board of Directors via the ESG Committee to promote Risk Management with the involvement of management.

### Education and awareness-raising activities

We conduct education and awareness-raising activities related to Risk Management through regular visits to group companies, video conferences and other measures, and are working to establish and improve their risk management PDCA activities. In addition, we provide education regarding the fundamentals of risk management and the risk management system of the Fuji Oil Group in pre-assignment training for employees who will be newly posted overseas.

#### Highlights: Incentives for Employees

As of 2016, we have established a CSR category in our management awards program to recognize departments and group companies that have made excellent efforts to contribute to society through their business activities. In this category, we present awards to group companies and departments that have fulfilled their social responsibilities by effectively conducting risk management.

## Objectives

- By 2020, each group company should independently and autonomously go through the PDCA cycle for Risk Management and each function of FUJI OIL HOLDINGS INC. should provide comprehensive support for optimal response to risks by each group company, based on the holding company structure.
- By 2020, main group companies should complete formulation of BCP.

## Progress

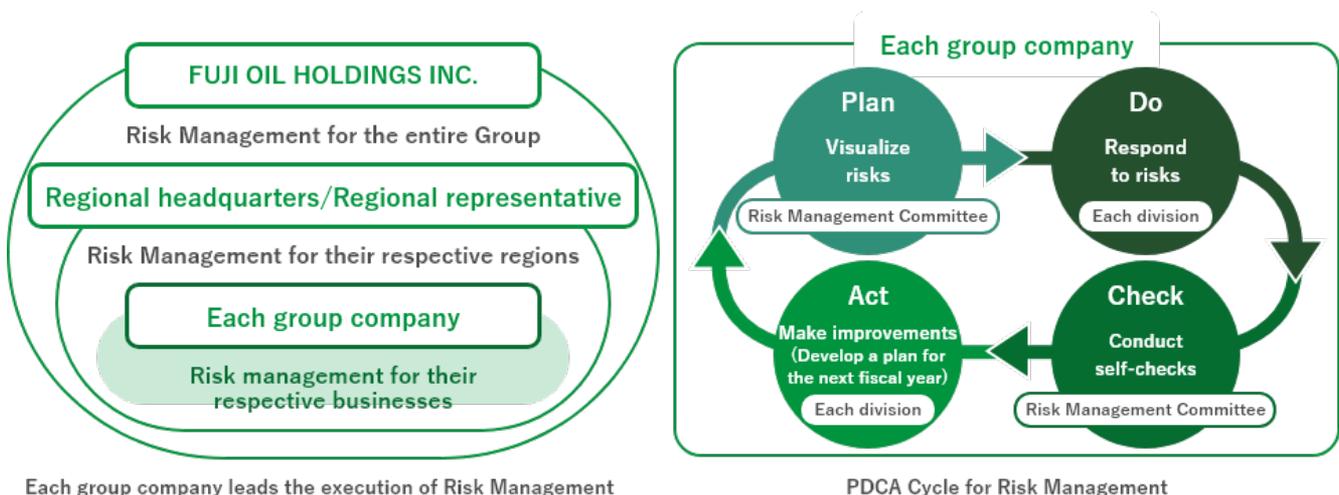
- Held a semiannual Risk Management PDCA meeting with each group company and improved the quality of their risk assessment results
- Provided Risk Management Committees at each group company with information on environmental (climate change) risk, human rights risk and region-specific risks
- Conducted safety confirmation drills and other activities at business sites in Japan to strengthen response capabilities in emergency situations (such as large-scale disasters)

## The Fuji Oil Group's Risk Management System

### PDCA

Our group has been working to establish a global Risk Management system appropriate for the holding company structure to which we shifted in October 2015. Specifically, we have defined the respective roles of the holding company, regional headquarters/regional representative and each group company, and established a Risk Management Committee at each company. Each Risk Management Committee plays a leading role in the annual implementation of the PDCA cycle: Plan (identify all possible risks and select major risks) → Do (implement countermeasures) → Check (conduct checks) → Act (take action for improvement toward the next fiscal year). We are promoting risk management through close collaboration among the holding company, regional headquarters/regional representative and each group company. In the event of an emergency, an Emergency Headquarters will be established within the Risk Management Committee, which promotes risk management activities in ordinary times, so that the entire Group can respond to an emergency quickly and appropriately.

### The Fuji Oil Group's Risk Management



### Risk assessment method

The Risk Management Committee of each group company takes the central role in identifying as many of its own company's risks as possible and assessing them by plotting them on a risk map (vertical axis: degree of damage/impact on the company; horizontal axis: possibility of occurrence). As a result of the assessment, the Committee specifies risks that would have a significant degree of damage/impact on its company as "significant risks" and decides how to respond to all "significant risks." Through this process, each company conducts risk management that makes clear which risks it should manage on a priority basis and works to prevent risks, minimize loss when risks occur, and maintain business continuity.

### Specific risk countermeasures

### Climate Change Risk

For details, see the “Climate Change Risk” section of the “Environment” page of our website.

▶ <https://www.fujioilholdings.com/en/csr/environment/climate/>

## Business Continuity Plan (BCP)

### Basic approach

The Fuji Oil Group Management Philosophy sets forth our Vision to “contribute to society by creating the future of delicious and healthy foods” and our Value to “work for people.” Business continuity is a prerequisite for achieving these goals, and we believe that a business continuity plan (BCP) is indispensable for that purpose. We will promote our BCP under the following basic policies to ensure employee safety and minimize damage to business assets in order to enable the continuation or early restoration of core businesses.

1. Give priority to the lives of employees and visitors.
2. Prevent secondary disasters and do not inconvenience local communities.
3. Fulfill our responsibility as a company to supply products.

### Initiatives

#### Revision of BCP based on the scenario of a major disaster

Fuji Oil Co., Ltd. is revising and restructuring the BCP formulated in 2012 to make it more effective. The revisions are scheduled for completion in FY 2018.

#### Ensuring information system continuity in the event of a natural disaster (ICT-BCP)

In the event of a natural disaster or other incident, information systems are the foundation of business continuity. The Fuji Oil Group has installed its core systems and other systems for important operations at a secure data center. In addition, assuming a scenario of damage to the data center, we have secured operating system continuity with the construction of a DR site\* at a remote location. As a result, even if the data center is affected, operations can resume at the DR site within a few hours to half a day. Moreover, we are preparing for prompt response in the event of a disaster by conducting DR site switchover exercises once a year.

See “Sustainable Procurement” for our response to procurement risks due to climate change or large-scale disasters.

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

\* DR site: Disaster Recovery site

## Information security

### Basic approach

To ensure information security, the Fuji Oil Group is working to raise its security level in terms of both rules and technology. Regarding rules, we formulated Information Management Basic Regulations and Information Security Regulations as group policies. We will continue employee education to ensure the regulations are thoroughly known by all. Regarding technology, we are taking multilayered measures including mechanisms to prevent unauthorized access from outside the Group’s information systems and to protect against computer viruses. We will continue to verify the information security level.

## Information security management system

In response to threats to information security, the Fuji Oil Group has established an information security management system under the Governance Subcommittee of the ESG Committee, which is an advisory body of the Board of Directors. For information security management, we have a CSIRT (Computer Security Incident Response Team) and deployed a person in charge of information security to promote faster response in the event of an emergency as well as employee understanding and awareness of the risks of accidental information leaks, targeted e-mail attacks and virus infections.

## Information security education for employees

In FY 2017, in addition to educating new employees and employees being posted overseas about information security, we conducted a targeted e-mail attack drill at FUJI OIL HOLDINGS INC. and Fuji Oil Co., Ltd. We will continue working to improve employee information security literacy through education, training, drills and other measures.

## Protection of Intellectual Property

### Obtaining intellectual property rights and establishing a system to prevent the Fuji Oil Group's infringement of such rights owned by other companies

Based on the Fuji Oil Group Management Philosophy, the Group has set forth rules on matters including the handling of intellectual property rights associated with inventions and other creative works made by its employees while on duty in the Regulations on the Handling of Employee Inventions and the Fuji Oil Group Regulations on Intellectual Property Management. We protect intellectual property by obtaining patents and other intellectual property rights for employee inventions and other creative works and by strictly managing our technological know-how to ensure its confidentiality. We also routinely keep a close watch on information regarding patents and other intellectual property rights of other companies to avoid infringing on them.

### Educational activities

Fuji Oil Co., Ltd. holds study sessions whenever necessary as part of its efforts to spread correct understanding of intellectual property. During FY 2017, a training seminar on intellectual property was held in February for new employees involved in research and development who had joined the company six months earlier with the intention of spreading basic knowledge regarding intellectual property. The participants were briefed about intellectual property rights and their significance, as well as rules applied to in-house inventions. Moreover, intellectual property training held from August to October 2017 for mid-level employees in development departments focused on a review of the intellectual property system and practical education in intellectual property through preparation of a patent specification.

## Creation of a Corporate Governance System

### Basic approach

Through the realization of effective corporate governance, FUJI OIL HOLDINGS INC. aims to prevent situations that would harm corporate value, such as violation of laws and regulations, fraud or misconduct, and to strive for sustainable growth and improvement of corporate value over the medium to long term. We have positioned corporate governance as an important mechanism for decision-making that is transparent,

fair, prompt and resolute in order to meet the expectations of stakeholders such as shareholders, customers, other business partners, our officers and employees, and society.

To ensure the confidence of shareholders, we consider it important to conduct flexible and rational decision-making and business execution and to enhance the functions for monitoring and supervising management. To this end, we appoint multiple outside directors and outside Audit & Supervisory Board members, and take care to ensure the independence of the Audit & Supervisory Board and the effectiveness of audits by the members. To expedite decision-making, the Fuji Oil Group shifted its management structure to a pure holding company structure through an incorporation-type company split, and separates management from execution, thereby promoting delegation of authority to its regional headquarters, which are operating companies. Meanwhile, as the global headquarters, FUJI OIL HOLDINGS INC. is engaged in formulating strategies for group management and for managing group subsidiaries.

▸ [Fuji Oil Holdings Corporate Governance Guidelines PDF\(76KB\)](#) 

## Objectives

- By 2020, internal control processes should be established in each group company and frameworks for increasing business process efficiency and reducing the occurrence of losses should be created and upgraded.

## Progress (Measures to achieve these objectives)

- Based on the results of an evaluation of the effectiveness of the Board of Directors (including an interview survey by a third-party organization) conducted in the previous fiscal year, improvement activities were systematically implemented toward the ends desired.

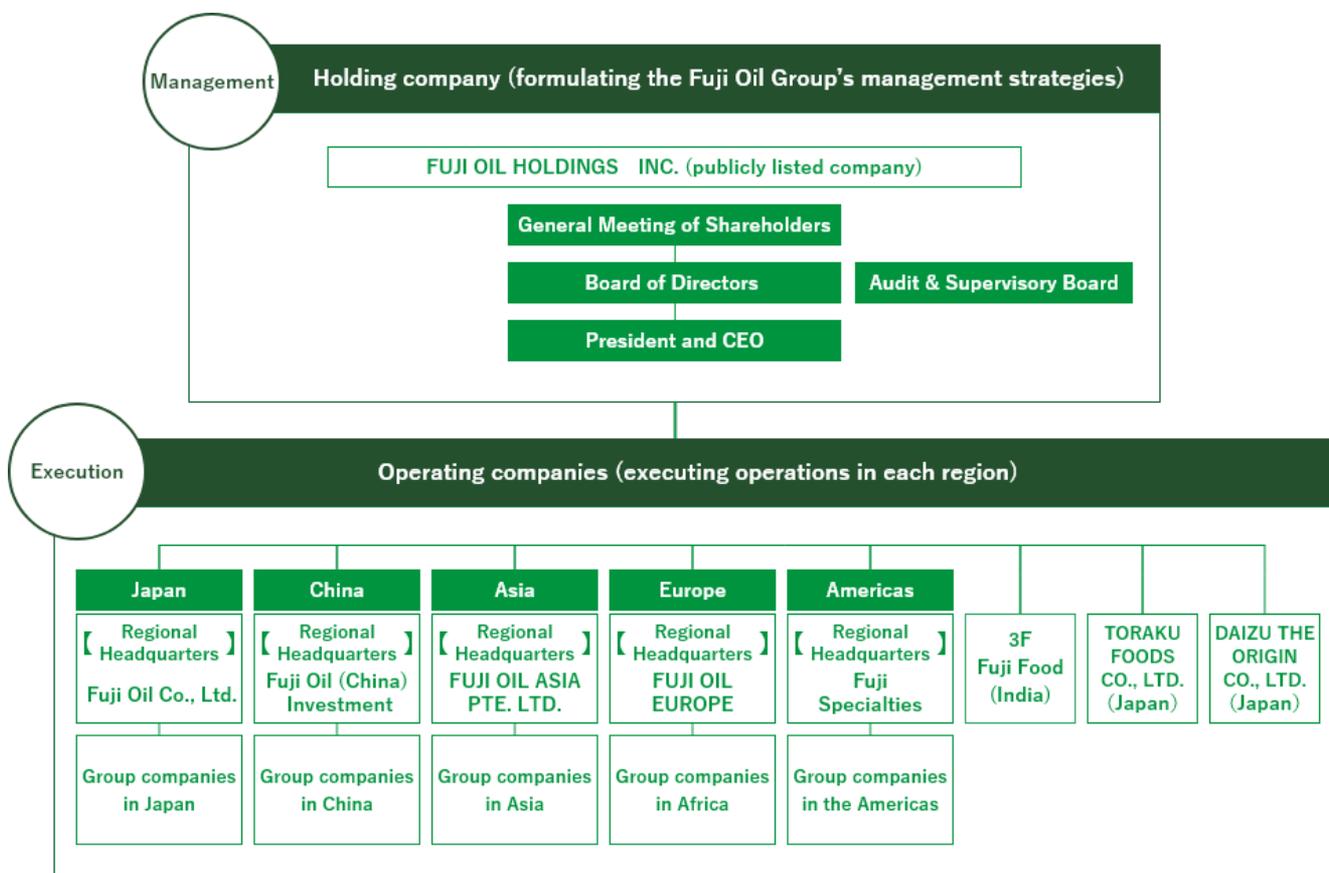
## Specific initiatives

### Holding Company Structure and the Fuji Oil

#### Group Management Philosophy

On October 1, 2015, the Fuji Oil Group shifted its management structure to a holding company structure under a pure holding company. Under this new structure, we aim to enhance our strategic functionality, achieve sustainable growth, and increase our earning capacity.

## Fuji Oil Group Management Structure (as of June 2018)



### Purposes of the holding company structure

#### 1. Strengthening governance

As centralized oversight becomes more important due to the increasing diversity in employee nationalities and other factors, we will strengthen governance functions, primarily in FUJI OIL HOLDINGS INC.

#### 2. Enhancing the Group's strategic functionality

We will implement strategies, especially global strategies that enable the entire Group to achieve sustainable growth, with FUJI OIL HOLDINGS INC. as the core.

#### 3. Hitozukuri (fostering people)

People devise strategies and implement governance. Believing it important to recruit people on a global basis and develop them optimally based on Group-wide allocation, we will change the way we evaluate people and the way we work.

#### 4. Creating new businesses

To realize our desired vision for "How we want to be in 2030", we will implement a business expansion strategy, including M&A, and a growth strategy to create new businesses by making technological innovations.

## Establishment of the Fuji Oil Group Management Philosophy

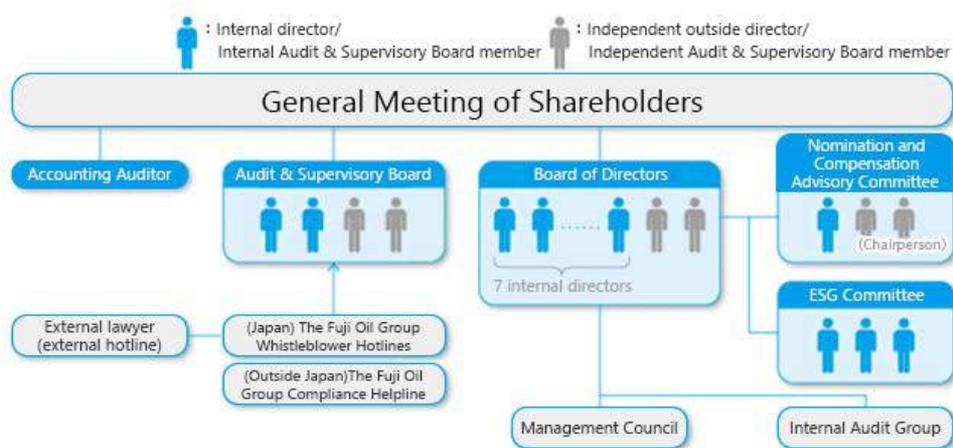
The Fuji Oil Group Management Philosophy states principles of action that should be observed by all group managers and employees around the world in order for our group to achieve sustainable growth, inheriting the DNA of our foundation and fulfilling our social responsibilities. Established together with the shift to a holding company structure on October 1, 2015, the Management Philosophy is a unifying force for Group management.

See the following web page for more details on the Fuji Oil Group Management Philosophy.

▶ <https://www.fujioilholdings.com/en/about/constitution/>

## Corporate Governance Functions

### Corporate Governance Structure(As of June 22 2018)



### Board of Directors

Based on the rules of the Board of Directors, meetings of the Board of Directors are held once a month in principle, and extraordinary meetings are held from time to time as necessary. Matters stipulated by laws and regulations and other important matters are deliberated and resolved, and the status of the directors' execution of duties is reported.

### Audit & Supervisory Board

The Audit & Supervisory Board discusses and decides on audit policies and audit plans, and reports, resolves and decides on other important matters relating to auditing. It is composed of two internal members and two outside members, and held 12 meetings during the 90th term (April 1, 2017 to March 31, 2018).

### Nomination and Compensation Advisory Committee

In October 2015, we established the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors for transparency in the processes of officer appointments and executive compensation decisions. As of June 21, 2018, the committee is composed of three members: outside director Kazuhiro Mishina, who is the chairperson; outside director Yuko Ueno; and the president. Meetings were held a total of seven times during the 90th term (April 1, 2017 - March 31, 2018).

## ESG Committee (Members and Number of Meetings Held)

The ESG Committee was established in October 2015 as an advisory body to the Board of Directors to accelerate and promote activities relating to ESG (Environment, Social, and Governance). It has Safety, Quality and Environment, Human Resources Development, Sustainable Procurement, Governance and Solutions through Creation of Foods subcommittees, which discuss and make reports to the Board of Directors regarding these areas.

As of June 21, 2018, the committee is composed of CFO and director in charge of Corporate Governance Tomoki Matsumoto, who is the chairperson; director, and CSO Mikio Sakai; and director, and CQO Takashi Kadota; leader and sub-leader of each subcommittee. One external expert also participates as advisor. Meetings were held a total of 5 times during the 90th term (April 1, 2017 - March 31, 2018).

### Approach to Selection of Director Candidates

We select internal and outside director candidates with superior character and knowledge. Particularly for outside directors, we select persons with superior knowledge in specialized fields such as corporate management and management strategy so that they contribute to the improvement of FUJI OIL HOLDINGS INC. corporate value by participating in the formulation of its management strategy and the supervision of business execution from a variety of perspectives.

### Results of the Analysis and Evaluation of the Effectiveness of the Board of Directors

Effectiveness of the Board of Directors To further enhance the objectivity of the Board of Directors and improve governance, we conducted an evaluation of the effectiveness of the Board of Directors in FY 2017.

#### 1. Overview of evaluation

Subjects: Directors and Audit & Supervisory Board members (total of 12, including four outside officers)

Evaluation process: Preliminary questionnaire and interviews by third-party institution and analysis of results with anonymity guaranteed

#### 2. Question items:

1. Composition and Structure of Directors
2. Management and Duties of the Board of Directors
3. Items for Deliberation by the Board of Directors
4. Supervision of the Board of Directors
5. Supervision of the Board of Directors by Audit & Supervisory Board Members
6. Participation at Board of Directors Meetings
7. Respecting the Opinions of Shareholders

#### 3. Results of evaluation

Through this evaluation of the Board of Directors with the involvement of a third-party organization, we confirmed (a) proactive efforts to improve governance, (b) the vitalization of the Board of Directors through the president's leadership and the insight of outside directors, and (c) free and vigorous discussion by the Board of Directors with a culture of respect for outside officers.

On the other hand, we identified points for expected future improvement or functional upgrade, including (a) enhancement of the supervision of the Board of Directors of the holding company, (b) clarification of the role of the Nomination and Compensation Advisory Committee and further enhancement of its functions, and (c) greater diversity of the Board of Directors.

As a policy for the future, based on the report from the third-party institution on this evaluation of the effectiveness of the Board of Directors, it was decided at Board of Directors meetings in FY 2018 to begin formulating an action plan for the tasks listed in the evaluation results. It was also decided to continue discussing medium-to-long-term tasks within the Board of Directors. The Board of Directors of FUJI OIL HOLDINGS INC. plans to continue to evaluate its effectiveness in order to further upgrade its functions.

## Officer Remuneration

Remuneration for Directors and Audit & Supervisory Board members in FY 2017 was as follows.

Classification	Total Amount of Remuneration
Directors (including outside members)	¥295 million
Audit & Supervisory Board Members (including outside Audit & Supervisory Board members)	¥64 million
Total (Outside Members of the Board and Outside Audit & Supervisory Board Members )	¥360 million (¥41 million)

Notes:

1. The above includes compensation for four Members of the Board and a member of the Audit & Supervisory Board who retired at the conclusion of the 89th Ordinary General Meeting of Shareholders.
2. The above includes officer bonuses for FY 2017.
3. The above total remuneration of Members of the Board does not include the portion of salary received as an employee of our company.

**Sustainability**

# CSR Management

**CONTENTS LIST**

- ▾ [Basic approach to CSR](#)
- ▾ [Priority themes for contributing to society through our business](#)
- ▾ [Business and Human Rights](#)   ▾ [Communication with stakeholders](#)
- ▾ [Social Contribution Activities](#)

**Basic approach to CSR**

The Fuji Oil Group's CSR is to continuously fulfill the mission of the Group Management Philosophy: "The Fuji Oil Group seeks to develop the potential of food ingredients. We will contribute to the happiness and well-being of the people by offering delicious and healthy food." Recognizing that a company is a social entity, we believe that CSR entails working to understand the expectations and concerns of stakeholders and contributing to the sustainable development of society through our business activities.

**Overview of activities**

**Four categories of CSR activities**

The Fuji Oil Group has classified its CSR activities into the following four categories and sets forth activity guidelines for each.

Category	Activity guidelines
<b>1. Strategic activities</b>	Contribute to resolving social issues through businesses and products.
<b>2. Basic activities</b>	Reduce and rectify the adverse impacts on society from our business processes.
<b>3. Social contribution activities</b>	Contribute to the development of local communities as a good corporate citizen.
<b>4. Communication with stakeholders</b>	Communicate with stakeholders in a highly transparent manner and in good faith.

## Promotion System

### Promotion system

Based on the idea that CSR is the essence of management, we have established the ESG Committee as an advisory body to the Board of Directors of Fuji Oil Holdings. The ESG Committee meets twice a year or more to discuss issues and strategies for the Fuji Oil Group to continue fulfilling its corporate social responsibilities. We invite outside experts as advisors to the committee so that it can incorporate the perspective of society. The committee submits the results to the Board of Directors twice a year and receives reviews from the Board of Directors. As of April 2018, the ESG Committee consists of five subcommittees; the Solutions through Creation of Foods Subcommittee; the Safety, Quality and Environment Subcommittee; the Human Resources Development Subcommittee; the Sustainable Procurement Subcommittee; and the Governance Subcommittee. The chairperson of each subcommittee is responsible for the group-wide application of the themes dealt with by his or her subcommittee.



## Educational and awareness-raising activities

We conduct educational and awareness-raising activities for the Fuji Oil Group employees to inform them of the Group's basic approach to CSR, its CSR activities, and society's expectations of the Fuji Oil Group so that each employee practices CSR through his or her work.

<Examples of activities>

- Dissemination of CSR information via the intranet (Japanese/English)
- Explanation of social trends (human rights/climate change risk) and the Fuji Oil Group's initiatives at the 26 group companies where a Risk Management Committee has been established, etc.

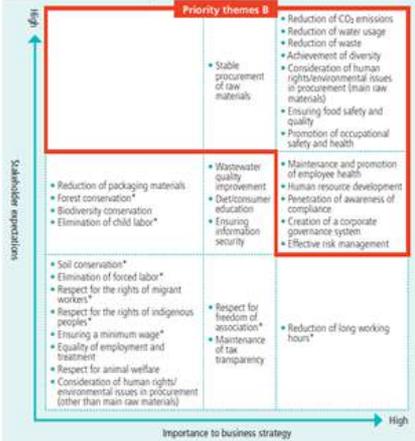
## Priority themes for contributing to society through our business

### Basic approach

To realize contributions to the sustainable development of society as well as its own sustainable growth and the creation of value for society through its business activities, the Fuji Oil Group has set topics requiring particular effort as CSR priority themes.

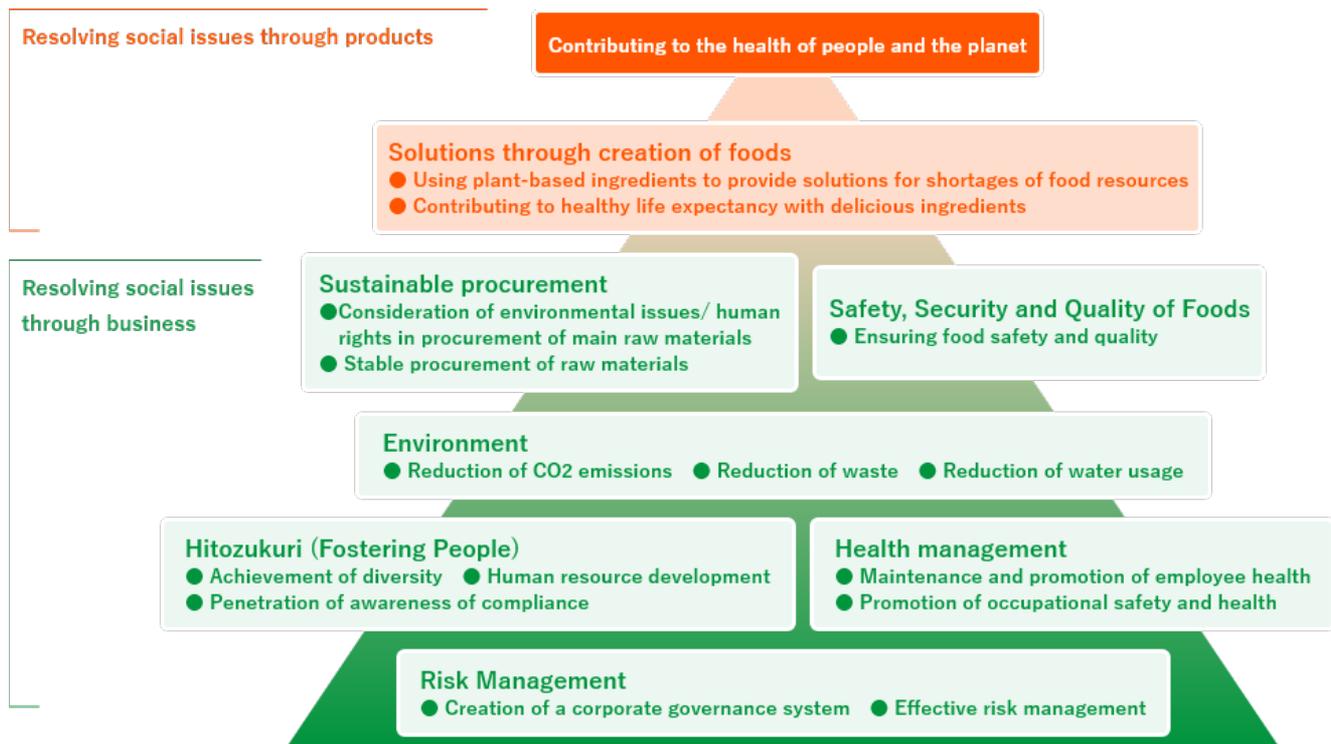
# Specification process

In light of society's progressively growing and changing expectations toward companies, we reviewed our CSR priority themes (materiality) between December 2017 and March 2018.

Steps	Activities	
<p><b>1. Listing of social issues</b></p>	<p>Receive advice from experts (NGOs) and list social issues based on the SDGs * 1 and other international CSR guidelines and benchmarks.</p> <p>* 1 United Nations SDGs (Sustainable Development Goals): 17 goals adopted by the United Nations General Assembly in 2015 to be achieved globally by 2030</p>	
	<p><b>Classification of social issues into two types</b></p>	
<p><b>2. Prioritization/ Validation</b></p>	<p><b>A</b></p> <p>A. Social issues we can help resolve through our products (CSR Category: Strategic activities)</p>	<p><b>B</b></p> <p>B. Social issues we can help resolve through our business processes (CSR category: Basic activities)</p>
	<p>Review and specify social issues to which the Fuji Oil Group can contribute by demonstrating its strengths (technological capabilities, business locations, etc.)</p>	<p>Create a materiality map * 2 and comparatively evaluate social issues.</p> <p>* 2 Materiality map</p> <p>Vertical axis: Stakeholder expectations (set based on advice from experts (NGOs) with reference to international guidelines, benchmarks, etc.)</p> <p>Horizontal axis: Importance to business strategy (set from the perspective of management approach and business strategy)</p>  <p><b>Priority themes B</b></p> <ul style="list-style-type: none"> <li>• Reduction of CO<sub>2</sub> emissions</li> <li>• Reduction of water usage</li> <li>• Reduction of waste</li> <li>• Achievement of diversity</li> <li>• Consideration of human rights/environmental issues in procurement (main raw materials)</li> <li>• Ensuring food safety and quality</li> <li>• Promotion of occupational safety and health</li> </ul> <p>Other themes in the map include:</p> <ul style="list-style-type: none"> <li>• Stable procurement of raw materials</li> <li>• Reduction of packaging materials</li> <li>• Forest conservation*</li> <li>• Biodiversity conservation</li> <li>• Elimination of child labor*</li> <li>• Wastewater quality improvement</li> <li>• Detrimental consumer education</li> <li>• Ensuring information security</li> <li>• Maintenance and promotion of employee health</li> <li>• Human resource development</li> <li>• Penetration of awareness of compliance</li> <li>• Creation of a corporate governance system</li> <li>• Effective risk management</li> <li>• Soil conservation*</li> <li>• Elimination of forced labor*</li> <li>• Respect for the rights of migrant workers*</li> <li>• Respect for the rights of indigenous peoples*</li> <li>• Ensuring a minimum wage*</li> <li>• Equality of employment and treatment</li> <li>• Respect for animal welfare</li> <li>• Consideration of human rights/environmental issues in procurement (other than main raw materials)</li> <li>• Respect for freedom of association*</li> <li>• Maintenance of tax transparency</li> <li>• Reduction of long working hours*</li> </ul> <p>* Social issues considered to occur in Fuji Oil. Social issues in the supply chain are included in consideration of human rights/environmental issues (other than main raw materials)</p>
<p>The above evaluation and study results were examined and revised by the ESG Committee, which includes one outside expert, to ensure that there were no omissions or redundancies.</p>		
<p><b>3. Approval</b></p>	<p>Submission by the ESG Committee to the Board of Directors of Fuji Oil Holdings for final approval.</p>	

## Specified priority themes

The Fuji Oil Group specified 15 priority themes and classified them into seven priority areas.



## Business and Human Rights

### Basic approach

The Fuji Oil Group has expressed the core value of "Work for people" in its Group Management Philosophy. This means that thinking from the position of people who could be affected as we conduct our business is the very spirit of respecting human rights. Our participation in the 2016 United Nations Forum on Business and Human Rights and dialogue with our stakeholders gave us the opportunity to reformulate our way of thinking about human rights, and in April 2017 we announced the Fuji Oil Group Human Rights Policy.

▶ [Fuji Oil Group Human Rights Policy PDF\(400KB\)](#) 

## Promotion System

We recognize that various business activities of the Fuji Oil Group, including employment, procurement and sale of products, can have an impact on human

rights. The CSR and Risk Management Group of Fuji Oil Holdings promotes respect for human rights throughout the Company, conducts overall control of human rights risk and works to put respect for human rights into practice in each department and workplace.

In addition, respect for human rights in the value chain has been incorporated in the CSR priority themes, and the ESG Committee, which is an advisory body to the Board of Directors, makes progress reports and examines issues for submission to the Board of Directors.

## **Educational and awareness-raising activities**

The Fuji Oil Group promotes educational and awareness-raising activities on business and human rights.

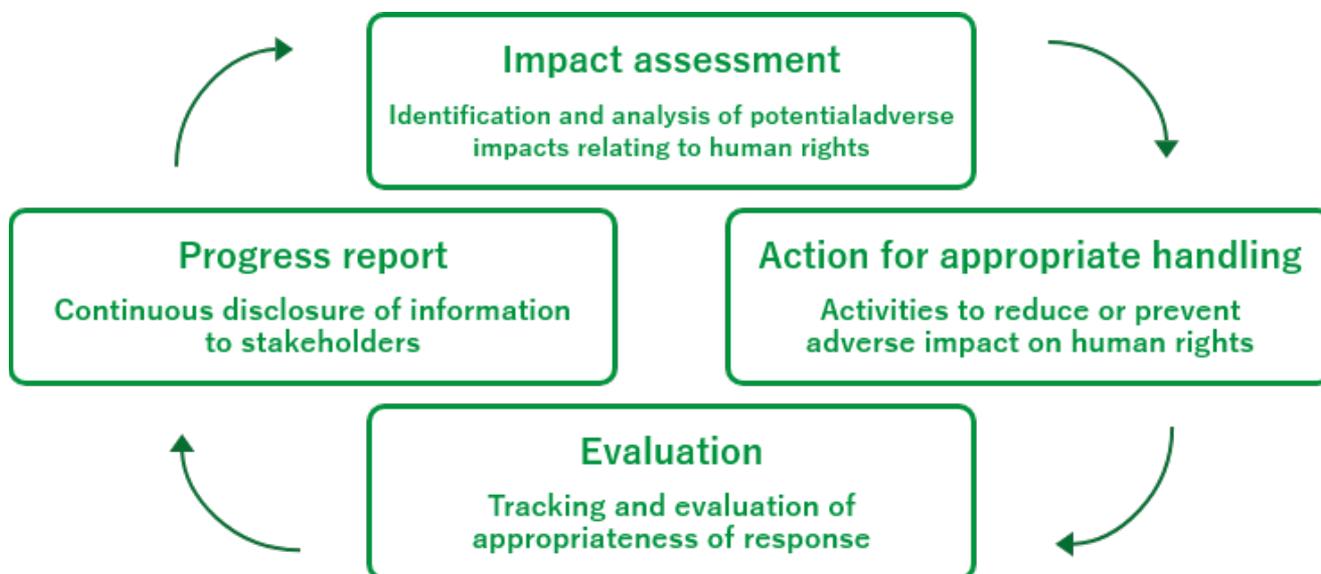
In FY 2017, we explained human rights and environmental risks and the Fuji Oil Group's basic approach to CSR to all Risk Management Committees established in Group companies (26 companies). As a result, some Group companies took measures to prevent human rights risks (risks associated with human rights violations through business activities). In addition, at Group companies in Japan, business and human rights were incorporated as an essential theme of the training conducted by each division in each company.

Going forward, we will promote the practice of respect for human rights in each employee's work by using the Company intranet system to proactively share information on business and human rights.

## **Human rights due diligence**

### **Human rights due diligence**

The Fuji Oil Group conducts human rights due diligence as a way of fulfilling its human rights responsibilities. As a result, we identify important risks that deal with preferentially, and then we will carry out~ education on human rights, promote sustainable procurement, and operate a grievance mechanism and other measures while consulting with and receiving evaluation from experts.



## Human rights impact assessment

### Human rights risk specification process

In FY 2016, the Fuji Oil Group conducted a human rights impact assessment to identify and evaluate the adverse impacts on human rights involved with its business activities and to identify key issues for priority handling. In the process of implementing the assessment, we gained insight not only from the involvement of related internal departments but also from Verisk Maplecroft and Caux Round Table Japan as external experts. For the first stage, based on Verisk Maplecroft's expertise, we quantitatively assessed the human rights risks in which the Group's business activities and operational areas could be involved. For the second stage, based on the results of the first stage, we conducted interviews with related parties in the company with the involvement of Caux Round Table Japan to reflect the actual situation of the Group as much as possible in specifying human rights risks.

### Specified human rights risks and countermeasures (Progress)

Risks for priority handling	Progress of risk countermeasures
Risk of the occurrence of problems relating to forced labor, human trafficking, occupational safety and health, appropriate wages, working hours, freedom of association and collective bargaining, particularly with respect to contract or temporary laborers used at	In FY 2017, the CSR and Risk Management Group of Fuji Oil Holdings explained human rights risks to the Risk Management Committees of 26 group companies and evaluated human rights risks in each company's risk assessment

<p>overseas group companies in Southeast Asia, China and Africa</p>	
<p>Risk of violations of the human rights of laborers in areas including working hours, appropriate wages, occupational safety and health, workplace discrimination, freedom of association and collective bargaining, forced labor and human trafficking at joint venture companies that are not substantially under the control of Fuji Oil Holdings or recently acquired group companies</p>	
<p>Risk of unintentional violations of the human rights of laborers in areas including working hours and workplace discrimination, particularly at overseas gro</p>	
<p>Risk of human rights violations in areas including human trafficking, forced labor, child labor, inappropriate wages, long working hours and seizure of land in the upstream portion of the palm oil supply chain</p>	<ul style="list-style-type: none"> <li>• In FY2017, the Fuji Oil Group promoted supply chain improvement activities at Palmaju Edible Oil Sdn. Bhd. (Malaysia), its primary palm oil refining company</li> <li>• In March 2018, conducted engagement (active approach) with major suppliers</li> <li>• In May 2018, established and announced a grievance mechanism (for processing complaints) based on the Responsible Palm Oil Sourcing Policy</li> </ul>
<p>Risk of human rights violations in areas including child labor, forced labor, human trafficking, appropriate wages and long working hours in the upstream portion of the cacao supply chain</p>	<ul style="list-style-type: none"> <li>• We began considering our Responsible Cacao Sourcing Policy in the second half of 2017 and formulated it in August 2018.</li> </ul>
<p>Risk that the Fuji Oil Group Human Rights Policy will not be reflected at an operational level in employee behavior due to absence of human rights training</p>	<ul style="list-style-type: none"> <li>• In FY 2017, the CSR and Risk Management Group of the Company explained human rights risks to the Risk Management Committees of 26 group companies and evaluated human rights risks in each company's risk assessment</li> </ul>

	<ul style="list-style-type: none"> <li>• In FY 2017, “business and human rights” was handled as an essential theme in training by divisions at Group companies in Japan</li> </ul>
Risk of inability to accept and handle complaints from laborers at suppliers and from local residents (absence of grievance mechanism)	<ul style="list-style-type: none"> <li>• In May 2018, established and announced a grievance mechanism (for processing complaints) based on the Responsible Palm Oil Sourcing Policy</li> </ul>

## Grievance mechanism

### Grievance mechanism for employees

We have established an internal reporting system for employees of group companies inside and outside Japan and employees of some cooperating companies.

Note: See the Fuji Oil Group website for details.

- ▶ <https://www.fujioilholdings.com/en/csr/human/>

### Grievance mechanism for supply chain

In May 2018, we established and announced a grievance mechanism based on our Responsible Palm Oil Sourcing Policy. We have established a Grievance Mechanism web page in English on the Fuji Oil Group website to announce the mechanism and its progress.

- ▶ [https://www.fujioilholdings.com/en/csr/grievance\\_mechanism/](https://www.fujioilholdings.com/en/csr/grievance_mechanism/)

## Communication with stakeholders

<p><b>Basic approach</b></p> <p>As a member of society, the Fuji Oil Group considers honesty, transparency and two-way communication with stakeholders essential for understanding and meeting their expectations. Stakeholder opinions and comments are used to improve the Group's business activities.</p>
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## Dialogue and cooperation with stakeholders

### The Fuji Oil Group's stakeholders

The Fuji Oil Group has identified major stakeholders on whom its business activities can exert a positive or negative impact as follows.

Main stakeholders	Communication
Employees	<ul style="list-style-type: none"><li>• Employee training</li><li>• Compliance hotline</li><li>• Employee satisfaction survey</li><li>• Intranet, company newsletter, etc.</li></ul>
Shareholders and investors	<ul style="list-style-type: none"><li>• General Meeting of Shareholders</li><li>• Informal shareholder gatherings</li><li>• Results briefing/teleconference</li><li>• Small meetings, etc.</li></ul>
Customers	<ul style="list-style-type: none"><li>• Daily sales activities</li><li>• Co-Creation Forum, etc.</li></ul>
Consumers	<ul style="list-style-type: none"><li>• Customer inquiry desk</li><li>• Dissemination of information through mass media, etc.</li></ul>
Business partners and subcontractors	<ul style="list-style-type: none"><li>• Daily purchasing activities/ transactions</li><li>• Supplier engagement</li><li>• Procurement Policy presentations, etc.</li></ul>
Local communities	<ul style="list-style-type: none"><li>• Participation in and support of regional events</li><li>• Contribution activities for the local community (food education project)</li><li>• Support after natural disasters, etc.</li></ul>
NGOs/NPOs and experts	<ul style="list-style-type: none"><li>• Expert panel dialogue</li></ul>

	<ul style="list-style-type: none"> <li>• Grievance mechanism</li> <li>• Promotion of joint projects, etc.</li> </ul>
Academic organizations	<ul style="list-style-type: none"> <li>• Joint research</li> <li>• Lectures, etc.</li> </ul>

## Accelerating CSR promotion through dialogue with stakeholders

### Case study: Dialogue with experts on business and human rights

In September 2017, we engaged in a dialogue with experts on business and human rights to receive advice on our future CSR activities. It was the second time we had the opportunity for a dialogue on the theme of business and human rights since FY 2016. Puvan J. Selvanathan, CEO of Bluenumber Foundation, and Cathrine Bloch Veiberg of The Danish Institute for Human Rights participated as experts. Participants from the Fuji Oil Group included President and CEO Hiroshi Shimizu, other related officers and members of CSR departments.

In the dialogue, we explained the basic approach of the Fuji Oil Group as well as the progress of efforts and recognition of issues related to business and human rights. The experts advised that, particularly in the area of sustainable procurement, engagement with suppliers is important for promoting sustainable procurement and risk mapping of the supply chain enables identification of issues to be addressed with particular priority. Since the dialogue, we have been putting the advice we received to use in our basic approach to planning sustainable procurement strategies for main raw materials and building a grievance mechanism.



A scene from the dialogue with experts on business and human rights held in September 2017

## <Participants> (as of September 2017)

### ■ Experts

Puvan J. Selvanathan, CEO, Bluenumber Foundation

Cathrine Bloch Veiberg of The Danish Institute for Human Rights

### ■ FUJI OIL HOLDINGS INC.

Hiroshi Shimizu, President and CEO

Tomoki Matsumoto, Director and Managing Executive Officer, CFO

Takeshi Takasugi, Managing Executive Officer, Business Development Division

Toshio Shikata, Senior Manager, CSR and Risk Management Group

Haruka Yamada, CSR and Risk Management Group

### ■ Moderators

Caux Round Table Japan

Hiroshi Ishida, Executive Director

Sayaho Noda, Director

## <Dialogues with experts on business and human rights and Fuji Oil Holdings' response>

<b>September 2016 First dialogue with experts</b>	<b>September 2016 - September 2017</b>	<b>September 2017 Second dialogue with experts</b>	<b>As of September 2017 - May 2018</b>
<p>&lt;Advice&gt;</p> <ol style="list-style-type: none"> <li>1. Business and human rights guiding principles</li> <li>2. Sustainable procurement focused on the site (plantation)</li> </ol>	<p>&lt;Response&gt;</p> <ul style="list-style-type: none"> <li>• Drafting and announcement of human rights policy</li> <li>• Implementation of human rights due diligence and response to issues</li> <li>• Start and promotion of palm oil supply chain improvement</li> </ul>	<p>&lt;Advice&gt;</p> <ol style="list-style-type: none"> <li>1. Supplier engagement</li> <li>2. Understanding supply chain risks</li> </ol>	<p>&lt;Response&gt;</p> <ul style="list-style-type: none"> <li>• Engagement with major palm oil suppliers</li> <li>• Construction and announcement of grievance mechanism</li> <li>• Start of improvement activities for high-risk</li> </ul>

	activities at Group company (primary refining plant) Palmaju Edible Oil Sdn. Bhd. (Malaysia)		supply chain (Indonesia)
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## Participation in external initiatives

We are participating in external initiatives to help resolve social issues in cooperation with stakeholders.

### 【Major external initiatives】

- UN Global Compact
- The Consumer Goods Forum
- RSPO (Roundtable on Sustainable Palm Oil)
- CDP
- Global Shea Alliance
- World Cocoa Foundation



The Fuji Oil Group signed the United Nations Global Compact in January 2013. We are contributing to improving the sustainability not only of our group but also of the entire society by practicing the ten principles in the four areas of human rights, labor standards, the environment, and anti-corruption.

The Fuji Oil Group has agreed to and signed the UN Global Compact.

## Evaluation from society

As of March 2018, we have received the following evaluation for the Fuji Oil Group's CSR.

## <Evaluation from society (examples)>

<b>Environment</b>	October 2017: CDP Climate Change Questionnaire "B" rating
<b>Overall ESG</b>	July 2017: Selected as a constituent stock in the MSCI Japan ESG Select Leaders Index
	January 2018: Fuji Oil Holdings' Sustainability Report 2017 selected as one of the "most-improved integrated reports" in a report published by the Government Pension Investment Fund
<b>Health Management</b>	February 2018: Certified as an Excellent Enterprise of Health and Productivity Management 2018 (White 500) by the Ministry of Economy, Trade and Industry
<b>Empowerment of Women</b>	August 2017: Received the Platinum "Kurumin" certification from the Ministry of Health, Labor and Welfare
	July 2017: Selected as a constituent stock in the MSCI Japan Empowering Women (WIN) Select Index

## Social Contribution Activities

### Basic approach

In "Our Principles" in the Fuji Oil Management Philosophy, we state that we will engage in corporate activities rooted in our communities and actively contribute to society. As a member of local communities, we are engaged in social contribution activities that are related to the regions where our business sites are located and to the nature of our businesses.

### Food education project

Since FY 2014, the Fuji Oil Group has been conducting a nutrition education project in cooperation with the NPO After School, to convey the importance of food and the power of soybeans to children, who will lead the next generation. In FY 2017, we provided a total of 21 classes to teach 584 elementary school students about the

power of soybeans to improve people's health and save the world from food resource shortages, with two types of programs: soybean snacks (soymilk pudding) and a soybean workshop.

In recognition of our activities to stimulate interest in food and global issues through these experiences, we received an award in FY 2017 at the 11th Kids Design Awards, sponsored by the Kids Design Association.



<Visiting class>

### <Messages from children who attended the class>

- Thank you very much for teaching us how amazing soybeans are today. The pudding was also delicious.
- Thank you for telling us about soybeans. Please teach us more about soybeans.
- I learned that soybeans are the most important thing on Earth, and I want to grow soybeans at home so that there is no food shortage on the Earth.
- Thank you for a very enjoyable time.
- I enjoyed making sweets for the first time. I will find out more about soybeans and try to appreciate food more. Thank you very much.

## The Fuji Foundation for Protein Research

In 1979, we inaugurated the Research Committee of Soy Protein Nutrition to support the promotion of academic studies on soybean protein. Based on its activities over 18 years, we established the Fuji Foundation for Protein Research, operating under the jurisdiction of the former Ministry of Education, Science and Culture, in 1997. Since 2012, it has been working to carry on and expand operations as a public-interest foundation under the jurisdiction of the Cabinet Office. Aiming to stimulate wider academic research as well as popularization and use of soy protein, the foundation subsidizes a wide range of research on topics from food basics and applications to food culture, and announces the results by holding lectures open to the general public and other events. The cumulative number of grants, including those from predecessor organizations, has totaled 1,050 over the past 39 years. In addition, well-attended lectures for the general public have been held 21 times and soy protein food tasting meetings have also been positively received. In FY 2018, we celebrate the 40th anniversary of the establishment of this research organization and intend to contribute to society by publicizing the information it has accumulated more widely.



<Lecture held in Osaka>

## **Providing chocolate for teaching materials to stimulate interest in problems at palm oil producing regions at the “SDGs for School” visiting class for high school students by the NGO Think the Earth.**

“SDGs for School” is a project for teaching about the realization of a sustainable society conducted by the NGO Think the Earth to promote understanding of and popularize the SDGs among junior high and high school students. For this visiting class, the Fuji Oil Group provides two kinds of chocolate for teaching materials (one that uses palm oil and another that does not). We support this activity that shows high school students the difficulty of doing without palm oil in daily life and gives them information for consuming sustainably sourced palm oil.

### **<Message from a high school student who attended the class (excerpt)**

>

As a high school student today, I think I have more power than someone from any other generation to change the world. However, when I was growing up, I became fearful and I was unable to do anything specific, which felt very distressing. At that time, I got a specific idea of what I should do from my teacher through my classes. From now on, I would like to be able to do what I want with many other people.

I was also interested in Think the Earth and Fuji Oil 's activities and corporate philosophies. The thought that such companies exists in the world fill me with a very happy feeling.

It is difficult to develop the economy while thinking about the environment and society. I think that Japan should give more thought to other countries and the future of the world, rather than making and buying lots of cheap products. Since I cannot find a clear answer about what Japan should do, I would like to find out what companies are doing.

Note: See the following website for details (Japanese only).

▶ <http://www.thinktheearth.net/sdgs/> 

**Sustainability**

# Solutions through Creation of Foods

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- ▾ [Basic approach](#)
- ▾ [Using Plant-Based Ingredients to Provide Solutions for Shortages of Food Resources](#) Priority theme
- ▾ [Contributing to Healthy Life Expectancy with Delicious Ingredients](#) Priority theme
- ▾ [Research and Development to Accelerate Innovation](#)

**Basic approach**

We look at food ingredients from their very essence. The technologies and passion that the Fuji Oil Group has cultivated since its foundation are a force for trailblazing the potential of plant-based food. We want to use this force to resolve issues facing the world such as food shortages, undernutrition and the dietary lifestyle of seniors. We offer Plant-Based Food Solutions (PBFS) by promoting both “Monozukuri” (creating products) and “Kotozukuri” (creating movements).

## Using Plant-Based Ingredients to Provide Solutions for Shortages of Food Resources

**Basic approach**

Since its founding, the Fuji Oil Group has recognized shortages of food resources associated with population growth as a theme to be addressed. Specifically, we believe that plant-based materials will solve food shortages, and for more than 60 years since 1957 we have been popularizing soy protein in various food applications. With a belief that soy will contribute to the health of people and the planet, we conduct “Monozukuri” (creating products) based on our technological capabilities and “Kotozukuri” (creating movements) in the market.

## Objectives

- Based on the Mid-Term Management Plan, help to resolve the issue of shortages of food resources with plant-based proteins, which have a reduced burden on the global environment.

In terms of “Monozukuri” (creating products), develop products that offer deliciousness, which is an issue in popularizing plant-based protein sources. In terms of “Kotozukuri” (creating movements), create ways for consumers to understand the significance of choosing plant-based protein sources.

## Progress

- Expanded the market for soy protein as a meat substitute through market development of soy meat (promotion of development of high-value-added products)
- Developed textured soy protein products specialized for tuna applications (tuna-like soy meat) to compensate for the decrease in marine resources
- Popularized and proposed “plant-based food” in the market with a PBFS presentation (held in March 2018)

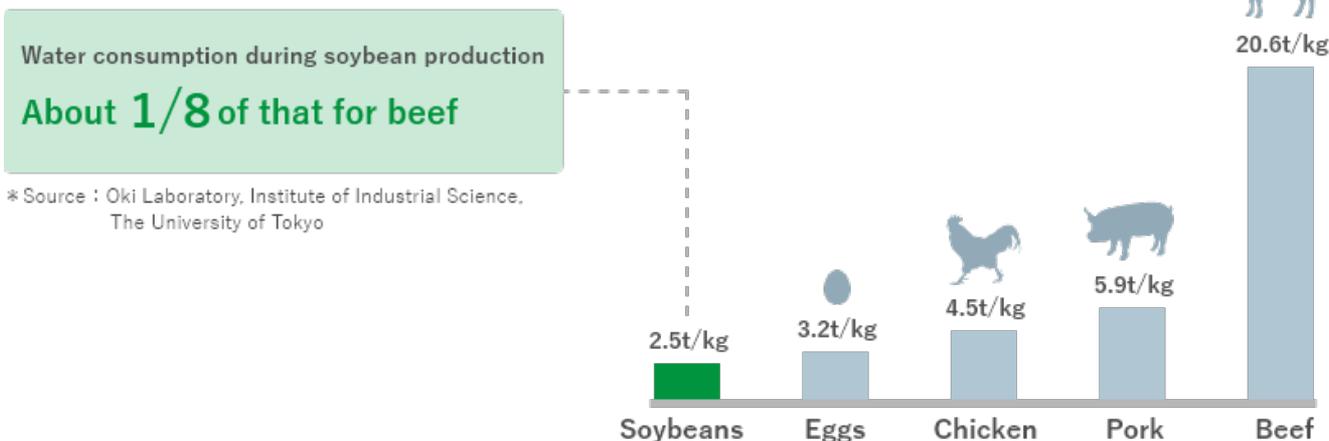
## Specific initiatives

### Popularizing soy ingredients for the health of people and the planet

#### Social issues and soybeans

Global population growth is forecast to lead to future shortages of food (especially animal protein) and water resources. However, the Fuji Oil Group believes that soybeans will resolve this social issue. This is because soybeans can be grown in a wide range of locations from northern regions to the tropics and cultivated in large quantities with minimal fertilizer and water.

## <Water Consumption during Production by Resource>



### Monozukuri: Cheese-like soymilk ingredients

We created soybean ingredients with a cheese-like flavor (fermented soymilk foods) to not only help resolve shortages of food resources but also address the growing vegetarian and health consciousness trends. Adding lactobacillus we developed jointly with a European lactobacillus manufacturer to low-fat soymilk made with the USS manufacturing method\* resulted in a robust, rich flavor. With the development of cream cheese-type, mascarpone cheese-type and other kinds of cheese-like soymilk ingredients, we are popularizing soy ingredients in various food applications.

\* USS manufacturing method

The Ultra Soy Separation (USS) manufacturing method is the world's first soybean separation and fractionation technology. It enables the separation of soybeans into soymilk cream and low-fat soymilk in a manner similar to the method for separating raw milk into fresh cream and low-fat milk. Soymilk cream has a full-bodied richness similar to fresh cream that is ideal for prepared and processed products, and is characterized by a refreshing aftertaste. Low-fat soymilk contains many free amino acids that are components of umami, and because it brings out the flavor of other ingredients and soup stock, it is suitable for use in Japanese cuisine. We also offer a lineup with a wide range of derivative products that include whipping cream and dressings. With these products, we are expanding the potential of soybeans as a food ingredient.



Cheese-like soymilk ingredients



Tiramisu (a tofu-based dessert similar to tiramisu that uses a cheese-like soymilk ingredient)

### **Monozukuri: Soy meat (textured soy protein)**

Soy meat is a product made by applying heat and pressure to induce the creation of fiber in defatted soybeans, with a texture similar to meat. By leveraging our proprietary technologies, we can produce soy meat with different textures like those of chicken or beef to suit the application. Applications, which have mainly been for ground meat for hamburgers and “gyoza”, are diversifying and demand is increasing with the positive response to soy meat’s advanced functional characteristics, including its ability to remain juicy without hardening even when chilled. In FY 2017, we developed and commercialized “soy tuna” with a view toward conformity with halal rules. We plan to provide soy meat extensively worldwide, including for dietary demographics such as vegetarians, as a food ingredient that offers both deliciousness and functionality not available from meat.



Mabodofu made with soy meat

## Plant-based food solutions (PBFS) presentation

Since its founding, the Fuji Oil Group has continued to explore the potential of Plant-Based Food (“PBF”), with vegetable oils and soybeans as the core ingredients. At a PBFS conference held in March 2018, attended by nearly 60 media representatives, we announced our PBFs that can help address global issues such as the crisis in sustainability due to the growing population, the rise of health-consciousness and the diversification of foods. We also announced our survey of consumer food preferences and the research and technologies for PBF ingredients we have cultivated over many years. Traditional PBFs in Japan include tofu and natto. However, recent technological advances have made it possible to use soy protein and other plant-based ingredients to produce items such as hamburgers, pork cutlets, sushi and sweets, which previously could not be made without animal ingredients. Attendees at the presentation tasted PBF samples including soy cutlet sandwiches, vegi sea urchin- and vegi tuna- sushi rolls and Tiratisu made by Fuji Oil, and BEYOND TOFU, a cheese-like fermented soymilk food sold by Daizu Origin Co., Ltd. After the presentation, coverage of soy meat and soymilk by many TV, newspaper and other media outlets increased, and we also received a substantial response from our business partners. We will conduct further research and development of PBFs to address diversifying food needs in areas such as vegetarian, halal, gluten-free and allergen-free products, and communicate the results to society.



PBFS presentation



Assortment of soy products for sampling at the PBFS presentation

## Kotozukuri: Providing soy ingredients produced in Hokkaido to local hotels and restaurants

Hokkaido has ranked first in appeal among Japan’s prefectures for eight consecutive years. One of Hokkaido’s major attractions is its food. The deliciousness of

Hokkaido's high-quality ingredients is the result of the rich natural environment and the efforts of local food producers. We believe that providing that deliciousness widely, not just in Hokkaido but throughout Japan and overseas, will lead to Hokkaido's further development.

Together with people involved in Hokkaido's food industry, Fuji Oil Holdings launched the Hokkaido Oishisa Up (tastier Hokkaido) project in June 2017 to raise the value of Hokkaido ingredients and convey their appeal. Menus and products are currently being offered at hotels, restaurants, cake shops and various other outlets. Our soymilk cream, made with the USS manufacturing method, uses only soybeans grown in Hokkaido. Its plain, pure taste is rich like fresh cream made from milk, but features a refreshing aftertaste. The soymilk cream brings out the delicate flavor of Hokkaido-grown ingredients. The combination of soymilk cream made from Hokkaido soybeans with other Hokkaido-produced ingredients gives rise to new deliciousness that is contributing to the further promotion of food from Hokkaido.

▶ <http://www.mameplus.jp/world/hokkaido/>   
(Japanese only)



Hokkaido soup curry made using our soymilk cream

## Contributing to Healthy Life Expectancy with Delicious Ingredients

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Basic approach

The Fuji Oil Group intends to offer solutions that address lifestyle-related diseases and other health-related social issues through food ingredients. Doing so requires a balance between “health” and “deliciousness.” Even if an ingredient is good for people’s health, they will not continue to eat it if it is not delicious. We are promoting “Monozukuri” (creating products) and “Kotozukuri” (creating movements) to provide healthy and delicious ingredients that help resolve social issues.

## Objectives

Based on the mid-Term Management Plan, develop healthy oils and fats (stabilized DHA and EPA) and soy peptides for a broad range of foods and popularize them in consumers’ diets to contribute to healthy life expectancy.

## Progress

- Conducted market development and launched soy protein food products containing healthy oils and fats (stabilized DHA and EPA).
- Promoted research and development on the function of DHA and peptides in the brain.

## Specific initiatives

### Monozukuri: Stabilized DHA and EPA

DHA and EPA, high quantities of which are present in fish and shellfish, are unsaturated fatty acids that are expected to have a wide range of health benefits including helping to reduce dementia risk. The Ministry of Health, Labour and Welfare’s “Dietary Reference Intakes for Japanese” recommends daily intake of DHA and EPA.

However, previously available DHA and EPA were markedly deteriorated by oxidation and the accompanying fishy odor made them difficult to ingest unless in capsule form. The Fuji Oil Group succeeded in developing stabilized DHA and EPA, suppressing oxidation and fishy odor using a new technology for stable admixture of anti-oxidant ingredients that were not readily soluble in oils and fats. From the standpoint of the sustainability of marine resources and stable procurement, the Group derives the main raw material of its stabilized DHA and EPA from algae. In FY 2017, we commercialized mixed juice containing stabilized DHA and EPA. In the future, we plan to popularize their use in a variety of foods through proposals to customers.

## **“Monozukuri”:**Creating products flavor-using enhancing oil

We have developed and sell a flavor-enhancing oil that brings out saltiness, sourness and piquancy with just a small amount of seasoning. The oil helps to reduce sodium in processed foods, for which low sodium is desirable from the viewpoint of preventing lifestyle-related diseases, and expectations are high for food service applications in hospitals and facilities for the elderly as a cooking oil for sodium reduction.

## **Monozukuri: Products with low trans or non-trans fatty acid content**

Excessive intake of trans fatty acids is said to increase the risk of heart disease. In June 2015, the Food and Drug Administration (FDA) of the United States announced restrictions on the use in foodstuffs of partially hydrogenated oils, which contain a large quantity of trans fatty acids, and there have been moves by food manufacturers worldwide to reevaluate trans fatty acids. The Fuji Oil Group uses proprietary technologies such as interesterification that do not generate trans fatty acids during manufacturing and has commercialized low trans and non-trans fatty acid products for chocolate and margarine to provide delicious and healthy ingredients.

## **Research and Development to Accelerate Innovation**

### **Basic approach**

The mission of the Fuji Oil Group’s research organization is to use technological innovation to create the next-generation businesses that will become the pillars of its operations, with the aim of sustainable growth. As we conduct R&D initiatives and draw up strategies to deepen and develop existing businesses and commercialize new businesses, we are also investigating research fields for the future and building a joint research framework for open innovation.

### **Research Structure to Create the Future of Food**

The Fuji Oil Group’s research and development themes are diverse, ranging from basic research to development of ingredients, applications and engineering. Through

relentless research and development, we believe we can continuously give rise to new technologies and innovative new ingredients that solve various dietary challenges to create the future of food. We established the Fuji Science & Innovation Center in the summer of 2016 as a venue for generating innovations by fusing knowledge and technology from inside and outside the Fuji Oil Group. Together with the Tsukuba Research & Development Center and the Asia R&D Center, we have built a tripolar global research and development structure to accelerate the fusion of knowledge and technology.

In April 2015, we changed the name of our basic research laboratory to the R&D Division for Future Creation and newly established a basic technology team in charge of innovation of production technology in the laboratory to promote technological innovation and the creation of new businesses and new markets.

## Global research facilities and FUJISUNNY PLAZA locations



Facility	Functions
Fuji Science & Innovation Center	Undertakes the development of food ingredients in response to customer wants and needs as the focal point for fusing knowledge from inside and outside the Fuji Oil Group.
Tsukuba Research & Development Center	Conducts application development that matches customer wants and needs, and basic research that leads to enhancement of technologies and to delicious, healthy foods.
Asia R&D Center	Drawing on our store of know-how in ingredient development in Japan, the Asia R&D Center in Singapore pursues the development of food ingredients to meet the wants and needs of markets in Asia.
FUJISUNNY PLAZAs	Conduct joint trial manufacturing and joint development at eight locations worldwide, including Tokyo, to serve as venues for co-creation with our customers.

## The Fuji Science & Innovation Center: accelerate challenge and innovation



Established in 2016, the Fuji Science & Innovation Center plays an important role as the research and development headquarters for the Fuji Oil Group.

The facility integrates various measures to serve as the focal point for fusing knowledge from inside and outside the Fuji Oil Group. For example, research space has been consolidated on a single floor so that researchers can interact. With this new approach, barriers between departments have been removed, enabling free and frank communication. Innovations from new combinations have arisen from these discussions among researchers, such as oils and fats related technology that has led to a breakthrough on a certain soybean protein issue. The facility is also accelerating the fusion of knowledge and technology in ways such as establishing a collaboration

laboratory for joint R&D with researchers from overseas group companies in a co-creation space. We are also vigorously promoting co-creation with customers through such measures as virtual factory tours that provide a conceptual image of product processing and an exhibition room that helps them understand the Fuji Oil Group's businesses at a glance.

In September 2017, the Fuji Science & Innovation Center received a Promotion Award for the Kinki Block at the 30th Nikkei New Office Awards. The award is the result of an evaluation that the facility conforms with the "human environment design" approach of designing environments that are easy for all to use.

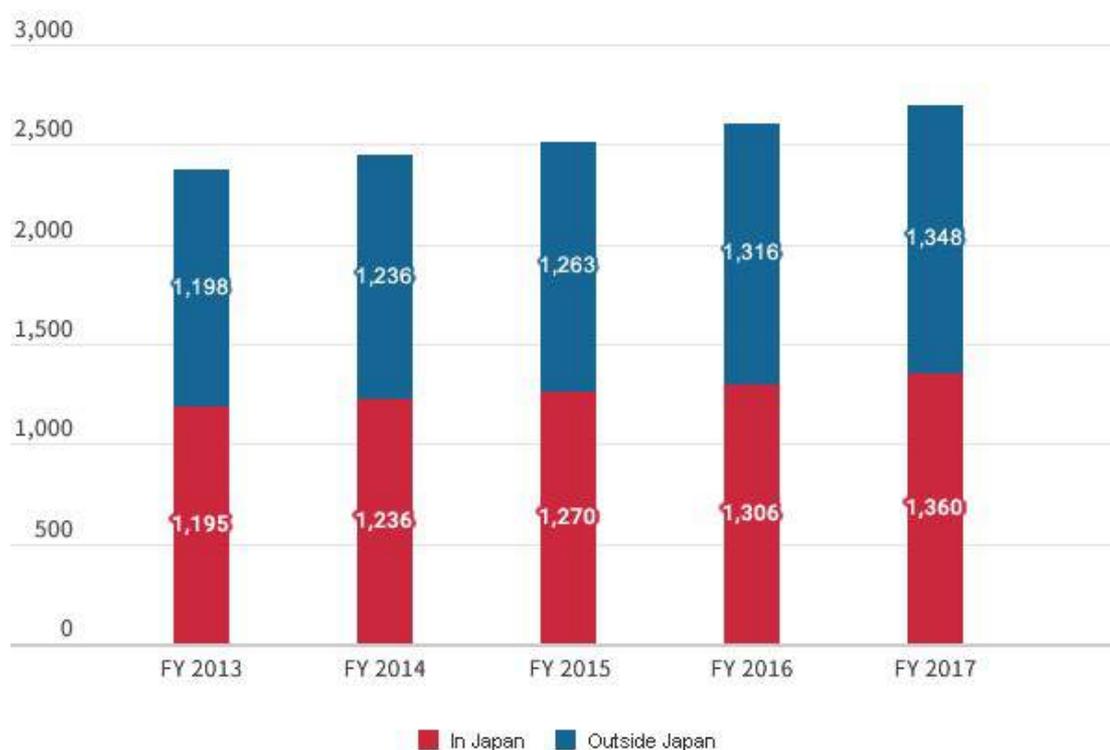
## Data

### Research and Development Expenses

FY 2017 total research and development expenses ¥4,613 million

### Cumulative Number of Patents Acquired

**Note: Number of patents acquired by Fuji Oil Co., Ltd. and Fuji Oil Holdings (cumulative total of domestic and overseas patents registered since 1950)**



\* Cumulative figures for Fuji Oi Holdings and Fuji Oil Co., Ltd. since 1950.

\* Figures have been adjusted by changing the counting method to the year of registration basis.

# Safety, Security and Quality of Foods

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▾ [Ensuring thoroughgoing food safety and quality](#) **Priority theme**

## Basic approach

For the Fuji Oil Group, providing safe and secure products to society is a prerequisite for its business activities as a food manufacturer. The Fuji Oil Group works to create products that customers and consumers can use with peace of mind, based on the four provisions of its Basic Policy of Quality: 1. We work in full compliance with laws & regulations and the spirit thereof, and strive to enhance product safety and reliability; 2. We develop creative products, and propose them to customers in a timely manner; 3. We strive to enhance customer satisfaction; and 4. We communicate precisely and cordially, and strive to solve problems.

## Promotion system

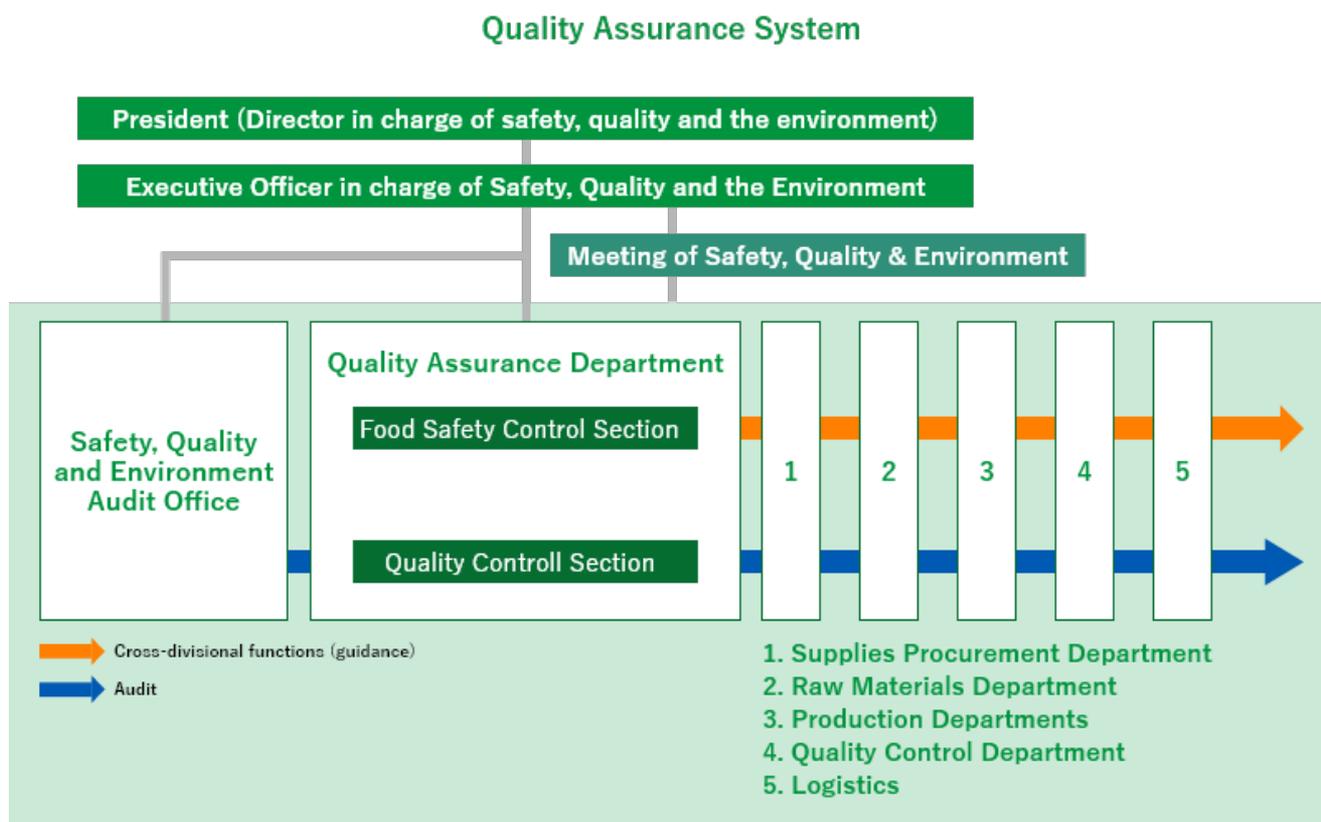
The Fuji Oil Group established the position of Chief Quality Officer (CQO) in FY 2018 and will work to improve the level of quality assurance and quality control throughout the Group.

We have established a management system in each of our group companies to apply the Fuji Oil Group Basic Policy of Safety, Quality and Environment to our business activities. In addition, we have established the Fuji Oil Group Safety, Quality and Environment Management Regulations and based on these regulations we monitor the management status of each group company (safety, quality and environmental

audits). We also hold a Meeting of Safety, Quality & Environment for the persons in charge at each group company in each region to share initiatives.

### Case study at Fuji Oil Co., Ltd.

Fuji Oil Co., Ltd. has established a Quality Control Department to check that products and the manufacturing process meet our standards in each process from raw material procurement to production and shipment. In addition, an independent Quality Assurance Department has been established to provide cross-divisional product and process verification, and to verify that laws are observed and products are high quality from the customer’s perspective. The Quality Assurance Department routinely collects information regarding laws and the food industry, and shares it with group companies.



### Education and awareness-raising activities

The Fuji Oil Group provides education to employees to raise their awareness of quality. Fuji Oil Co., Ltd. supports activities at each plant conducted in accordance with action guidelines and holds lectures on hygiene and other matters. A total of 76 people attended these lectures in FY 2017. In addition, every November we participate in Quality Month, which is organized by the Quality Month Committee, a Japanese industry organization. During Quality Month, based on a defined theme we

conduct various activities to raise awareness of quality among our employees. We also provide overseas group companies with ongoing technical guidance on newly introduced analytical equipment to improve the overall quality management level of our group. We will continue to promote technological exchange among group companies to spread the Group's advanced analytical techniques to other group companies, in order to provide safer and more reliable products to customers around the world.

## Ensuring thoroughgoing food safety and quality

### Objectives

- Create a group-wide quality assurance system by 2020.
- Acquire FSSC 22000 or ISO 22000 certification at all Fuji Oil Co., Ltd. plants by the end of FY 2019 (March 31, 2020).

### Progress

In addition to promoting acquisition of quality management certification, we conducted internal quality audits at group companies outside Japan. We audited 7 of the 18 plants subject to inspection and provided evaluations and feedback on quality control.

### Acquisition status of major quality management certifications

Major certifications:	Progress made during FY 2017	Acquisition status as of the end of FY 2017
GFSI-recognized certifications (FSSC, SQF)	<ul style="list-style-type: none"> <li>• Unit 1, Kanto Section, Chocolate Production Department, Kanto Plant of Fuji Oil Co., Ltd. newly obtained FSSC 22000 certification.</li> <li>• Unit 2, Section 1, Emulsified &amp; Fermented Foods Production Department of the Kanto</li> </ul>	<p>Outside Japan: 11 group companies            In Japan: 4 business sites and 5 plants of Fuji Oil Co., Ltd.</p>

Major certifications:	Progress made during FY 2017	Acquisition status as of the end of FY 2017
	<p>Plant of Fuji Oil Co., Ltd. newly obtained FSSC 22000 certification.</p> <ul style="list-style-type: none"> <li>• Shandong Longteng Fuji Foodstuffs (China) newly obtained FSSC 22000 certification.</li> <li>• FUJI VEGETABLE OIL, INC. (U.S.A.) newly obtained SQF certification.</li> </ul>	
HACCP or ISO 22000 certification	<ul style="list-style-type: none"> <li>• Chiba Plant of Fuji Oil Co., Ltd. newly obtained ISO 22000 certification.</li> <li>• Unit 1, Section 2, Soy Ingredients Production Department of the Hannan Business Operations Complex of Fuji Oil Co., Ltd. newly obtained ISO 22000 certification.</li> <li>• Unit 2, Section 2, Soy Ingredients Production Department of the Hannan Business Operations Complex of Fuji Oil Co., Ltd. newly obtained ISO 22000 certification.</li> </ul>	<p>Outside Japan: 15 group companies  In Japan: 5 business sites and 9 plants of Fuji Oil Co., Ltd.  Omu Milk Products Co., Ltd.(The Ministry of Health, Labour and Welfare version)</p>
ISO 9001 certification	<ul style="list-style-type: none"> <li>• 3F Fuji Foods Private Limited (India) newly obtained ISO 9001 certification.</li> </ul>	<p>Outside Japan: 13 group companies  In Japan: 5 group companies</p>

## Specific initiatives

### Risk management and countermeasures

#### Risk management methods for food safety

Group companies and their relevant organizational units manage and respond to risks related to food safety as part of the Fuji Oil Group's overall risk management system.

See the following website for an overview of the risk management system.

▶ [https://www.fujioilholdings.com/en/csr/risk\\_management/](https://www.fujioilholdings.com/en/csr/risk_management/)

#### Acquisition of International Quality Management Certifications

The Fuji Oil Group has been actively promoting the acquisition of international quality management certifications to meet our customers' demands. In recent years there has been a growing awareness of the need for prevention of foreign matter contamination. Accordingly, to improve our food safety level, since FY 2012 the quality audits of each group company – both in and outside Japan – include confirmation of the degree to which the Global Food Safety Initiative (GFSI)\* -recognized standards have been met.

\* GFSI: A nonprofit organization established in 2000. In order to ensure and improve food safety worldwide, GFSI harmonizes international food safety standards by establishing and publishing a set of criteria and recognizing prominent food safety management system standards around the world that fulfill these criteria.

#### Food safety-related risks and countermeasures

A risk assessment of the entire Fuji Oil Group in FY 2017 resulted in the identification of the food safety-related risks of contamination by foreign matter, allergens and inappropriate raw materials. We strive to reduce the possibility of the occurrence of these risks through acquisition of quality management certifications and prioritized evaluation and guidance by means of quality audits.

### Product labeling

The Fuji Oil Group strives to provide labeling on all its products in accordance with the relevant laws and regulations of each country or region.

At Fuji Oil Co., Ltd., the Quality Assurance Department collects information on

relevant laws and regulations every day and conveys any revisions through the "Food Safety Information," which it distributes on a daily basis, to the relevant departments to ensure that these revisions are promptly and accurately reflected on product labels. There is also a system in place to ensure that the staff in the development, production and quality assurance departments check the content of product labels before printing to avoid any errors that would violate laws or regulations. We endeavor to enhance transparency by disclosing information to our customers in a timely fashion through product specifications and the Fuji Oil Co., Ltd. website.

## **Acquisition of certifications**

### **Acquisition of Halal and Kosher Certifications**

The Fuji Oil Group creates value that embraces regional dietary cultures. We promote the acquisition of halal and kosher certifications that verify the conformity of our use of raw materials and production processes to Islamic and Jewish dietary rules, respectively. These certifications are now supported not only by believers in Islam and Judaism, but also by health- and food safety-conscious consumers, as the image of halal- and kosher-certified foods as healthy, safe and reliable has taken root around the world. We will continue our efforts to establish systems that enable us to provide safe, healthy and delicious food products to people of all cultures and values.

## Acquisition of halal certification (As of March 2018)

Companies offering halal-certified products
FUJI OIL (SINGAPORE) PTE. LTD.
WOODLANDS SUNNY FOODS PTE. LTD. (SINGAPORE)
PALMAJU EDIBLE OIL SDN. BHD. (MALAYSIA)
PT. FREYABADI INDOTAMA (INDONESIA)
FUJI OIL (ZHANG JIA GANG) CO., LTD. (CHINA)
JILIN FUJI PROTEIN CO., LTD. (CHINA)
TIANJIN FUJI PROTEIN (CHINA)
FUJI VEGETABLE OIL, INC. (USA)
HARALD (BRAZIL)
FUJI OIL EUROPE (BELGIUM)
PT. MUSIM MAS-FUJI (INDONESIA)
FUJI OIL (THAILAND) CO., LTD. (THAILAND)
FREYABADI (THAILAND) CO., LTD. (THAILAND)
GCB SPECIALTY CHOCOLATES SDN. BHD. (MALAYSIA)

Note: If you would like to know whether a specific product is halal-certified, please contact the relevant group company.

## Acquisition of kosher certification (As of March 2018)

Companies offering kosher-certified products
FUJI VEGETABEL OIL, INC.
FUJI OIL EUROPE (BELGIUM)
FUJI OIL (SINGAPORE) PTE. LTD. (SINGAPORE)
PALMAJU EDIBLE OIL SDN. BHD. (MALAYSIA)
PT. FREYABADI INDOTAMA (INDONESIA)
JILIN FUJI PROTEIN CO., LTD. (CHINA)
TIANJIN FUJI PROTEIN CO., LTD. (CHINA)
PT. MUSIM MAS-FUJI (INDONESIA)

Note: If you would like to know whether a specific product is kosher-certified, please contact the relevant group company.

## Response to GFSI and acquisition of FSSC 22000 certification

The Fuji Oil Group is conducting activities to obtain FSSC 22000 food safety management system certification, a certification system recognized by GFSI. In FY 2017, 3 plants newly acquired FSSC 22000 certification and 1 plant newly acquired SQF certification for total certifications of 4 business sites and 5 plants in Japan and 11 plants outside Japan.

In response to the Japanese government's plan to make HACCP implementation mandatory in 2020, we have been conducting activities since FY 2016 to obtain FSSC 22000 or ISO 22000 certification for plants that produce chocolate, cream, soybean or other ingredients. We are promoting measures with a plan to complete certification at all factories in Japan during FY 2019.

See the following website for the latest status of FSSC 22000 certification.

▶ <https://www.fujioilholdings.com/en/about/authen/iso22000/> 

## GFSI-approved standards

We audit the quality management systems of all of our business sites with respect to food safety based on the requirements of GFSI recognized standards. When there is an issue, improvements are instituted, which is allowing us to quickly build a system for responding to the various cross-border needs of our customers.

### GFSI recognized standards (As of September 2013)

Name	Outline
(1) BRC GLOBAL STANDARD FOR FOOD SAFETY ISSUE 6	Standard for food safety developed and run by the British Retail Consortium. The requirements include ones relating to legal compliance.
(2) Canada GAP	Management criteria for guaranteeing agricultural product safety that has received full Canadian Government recognition
(3) FSSC22000	A management system developed by The Foundation for Food Safety Certification in the Netherlands that integrates hygiene control standards for food production with the requirements for ISO 2000, an international standard for food safety management systems.
(4) Global Aquaculture Alliance	The Global Aquaculture Alliance certifies aquaculture companies that are implementing their businesses in a sustainable manner.
(5) GLOBAL G.A.P.	Standards for safety management of agricultural production developed by Euro-Retailer Produce Working Group (EUREP)
(6) Global Red Meat Standard	An international standard on managing the safety of meat

Name	Outline
(7) International Food Standard Version 6	A standard for the production control of suppliers that provide retailers in France and Germany with food products. It verifies that a supplier's production control meets related safety standards, quality standards and legal standards
(8) SQF	An international standard for food safety and quality management systems in line with HACCP fundamentals
(9) Primus GFS	An international standard for food safety and quality management systems in line with HACCP fundamentals

## Acquisition of HACCP, ISO 22000 and ISO 9001 certifications

See the following sections of our website for the latest status of HACCP, ISO 22000 and ISO 9001 certifications.

- HACCP
  - ▶ <https://www.fujioilholdings.com/en/about/authen/haccp/>
- ISO22000
  - ▶ <https://www.fujioilholdings.com/en/about/authen/iso22000/>
- ISO9001
  - ▶ <https://www.fujioilholdings.com/en/about/authen/iso9001/>

## Recalls and Other Incidents

No product recalls or other significant quality incidents occurred in the Fuji Oil Group during FY 2017. We will continue working to ensure that our customers can use Fuji Oil Group products with peace of mind.

# Sustainable Procurement

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▾ [Stable procurement of raw materials](#) **Priority theme**

### Basic approach

Social issues related to the environment and human rights may arise at production sites for crops such as palm oil and cacao, which are key raw materials for the Fuji Oil Group. In addition, we consider stable procurement of high-quality and safe raw materials that have been produced in a sustainable manner to be important for fulfilling our responsibility to supply products. As a social entity, the Fuji Oil Group conducts environmentally, socially and economically sustainable procurement.

### Promotion System

We view sustainable procurement as an important theme of our business strategy and conduct it as an activity theme of the Business Strategy Division under the Chief Strategy Officer (CSO) of the Fuji Oil Group. In addition, we have established the Sustainable Procurement Subcommittee within the ESG Committee, which is an advisory body to the Board of Directors, to make recommendations and reports to the Board of Directors on stable procurement and reducing environmental and human rights risks in raw material procurement.

## Highlights: Incentives for Employees

As of 2016, we have established a CSR category in our management awards program to recognize departments and group companies that have made excellent efforts to contribute to society through their business activities. In this category, we presented awards to the divisions in charge that have promoted measures for sustainable sourcing of palm oil and shea nuts.

# Sustainable Procurement of Main Raw Materials

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## Palm Oil

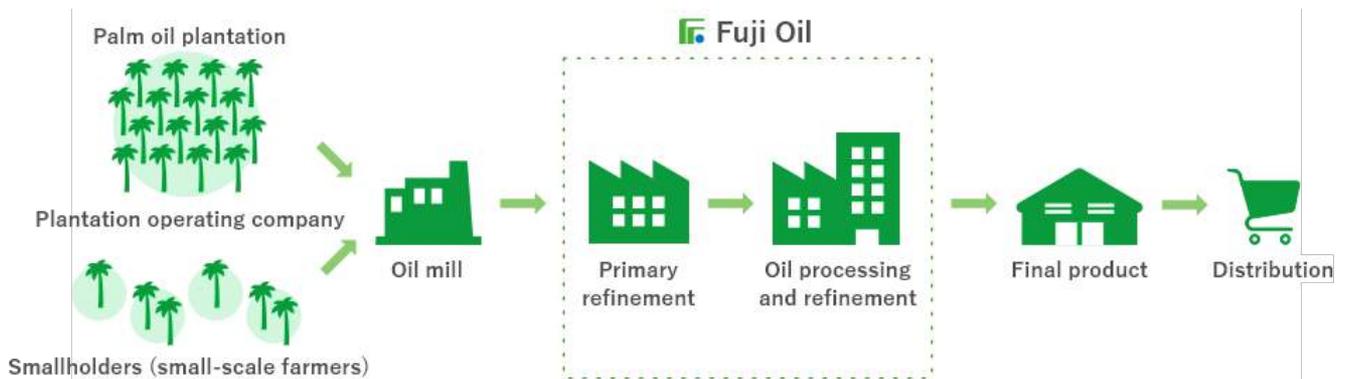
### Basic approach

#### Palm oil and the Fuji Oil Group

Palm oil is oil extracted from the fruit of the oil palm, which grows in tropical regions such as Southeast Asia. Palm oil is easier to process and cheaper than other vegetable oils. For this reason, palm oil is used in a wide range of applications from foods to chemical products. Production volume of palm oil is the world's largest among vegetable oil materials. However, as the scale of the market continues to expand, there are concerns about environmental problems caused by plantation development and human rights issues such as child labor and forced labor in areas where palm oil plantations are located.

The Fuji Oil Group has pioneered a new food culture by pursuing palm oil's potential as a key raw material. We consider aiming for sustainable procurement of palm oil to be our responsibility to society.

## The palm oil supply chain and the position of the Fuji Oil Group



## Responsible Palm Oil Sourcing Policy

In March 2016, we formulated and announced the Responsible Palm Oil Sourcing Policy for the Fuji Oil Group. In this Policy, we commit ourselves to procuring palm oil produced in a responsible manner from suppliers who respect people and the global environment. We strive to conduct procurement in line with this Policy, in cooperation with our stakeholders. We will continue to promote responsible palm oil procurement to ensure that palm oil is accepted around the world as a sustainable raw material.

▶ [The Responsible Palm Oil Sourcing Policy PDF\(1.62MB\)](#)

### Objectives

- Achieve “No Deforestation, No Peatland development,\* No Exploitation” (NDPE) in the Fuji Oil Group’s palm oil supply chain
- 100% traceability to mills by 2020

\* Peatland: A layer of land that fixes a large amount of carbon in the ground. Development on peat releases a large volume of greenhouse gas into the atmosphere.

### Progress

Main progress during FY 2017 was as follows.

- 55 palm oil smallholders in Sabah, Malaysia who are receiving support obtained RSPO\* certification in May 2017.
- As a result of activities to improve the supply chain at Palmaju Edible Oil Sdn. Bhd. (Malaysia), a primary palm oil refining company of the Fuji Oil Group, passports

were returned to 230 migrant workers at its raw material suppliers as of December 31, 2017.

- In March 2017, explained the Fuji Oil Group's approach to major suppliers to reach agreement and request cooperation on NDPE.
- In May 2018, a grievance (complaint handling) mechanism based on the Responsible Palm Oil Sourcing Policy was established and announced.

Pursuant to the Responsible Palm Oil Sourcing Policy, we disclose our progress once every six months. See the URLs below for progress in FY 2017.

June 2018:

- ▶ [https://www.fujioilholdings.com/en/news/2018/1193705\\_2696.html](https://www.fujioilholdings.com/en/news/2018/1193705_2696.html)

November 2017:

- ▶ [https://www.fujioilholdings.com/en/news/2017/1188752\\_2684.html](https://www.fujioilholdings.com/en/news/2017/1188752_2684.html)

\* RSPO: RSPO stands for Roundtable on Sustainable Palm Oil. RSPO is a non-profit organization that brings together palm oil producers, processors and traders, consumer goods manufacturers, retailers, banks and investors, and environmental, social and developmental non-governmental organizations (NGOs) to develop and implement a global standard for sustainable palm oil.

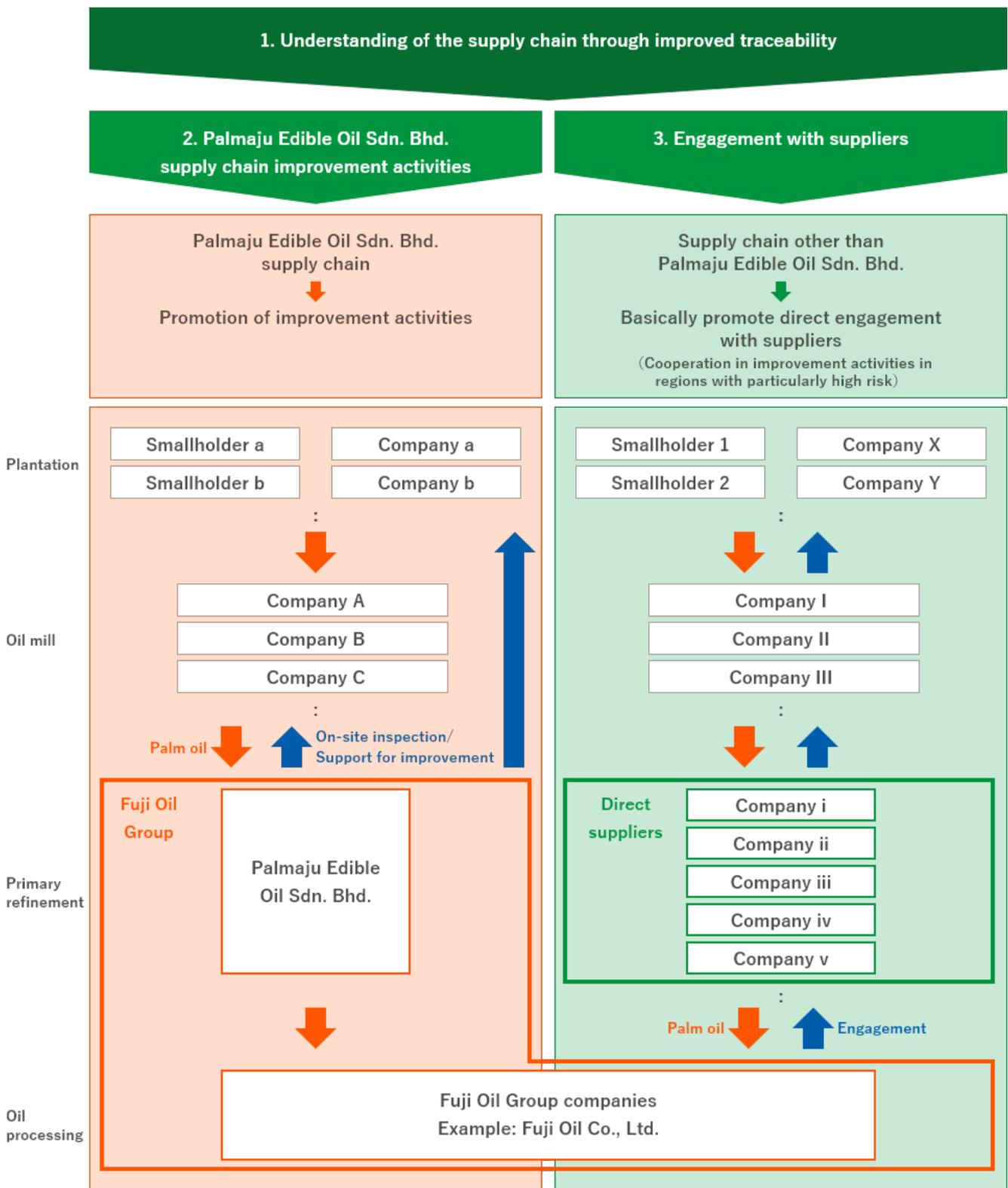
## Specific initiatives

### Supply chain improvement activities

Based on our Sourcing Policy, we are conducting supply chain improvement activities to resolve environmental and human rights issues at palm oil production sites (plantations). For our primary refining company (Palmaju Edible Oil Sdn. Bhd.), which is located closer in the supply chain to the palm oil production sites, we are rolling out supply chain improvement activities in cooperation with oil mills.

For the supply chain other than Palmaju Edible Oil Sdn. Bhd., we will basically endeavor to make improvements by promoting direct engagement with suppliers. In part of the supply chain, we have started improvement activities in cooperation with suppliers. In FY 2018, we began improvement activities for plantation areas in Indonesia with a high level of environmental risk and started participating in the the Ethical Recruitment Forum to protect the rights of migrant workers in Malaysia.

# Overview of supply chain improvement activities



## 1. Understanding of the supply chain through improved traceability

To improve the supply chain, we consider it important to identify the region of production of palm oil purchased and used by the Fuji Oil Group. We are working with the non-profit organization The Forest Trust (TFT) and our suppliers to improve traceability\* with an initial target of achieving full traceability from plantation to

palm oil mill by 2020.

Our traceability from plantation to palm oil mill was 95% in the second half of FY 2017.

\* Traceability: The act of and framework for making apparent (i.e. traceable) the production history and distribution routes of food products to ensure their safety.

## **2. Palmaju Edible Oil Sdn. Bhd. supply chain improvement activities**

In October 2016, the Fuji Oil Group started supply chain improvement activities at Group company Palmaju Edible Oil Sdn. Bhd. (Malaysia). First, we shared the Fuji Oil Group's Sourcing Policy with the company's suppliers (oil mills). Next, together with one of the suppliers, we conducted on-site inspections of the dealers and plantations related to our oil mill to assess their compliance with the Sourcing Policy and provided support for improvement or correction of issues. As a result of this support, in December 2017 passports were returned to more than 200 migrant workers at oil mills and plantations that are suppliers of Palmaju and 300 migrant workers were able to conclude employment contracts in a language they could understand. We also held two seminars to share information with suppliers other than those subject to evaluation. In FY 2018, we will promote further improvement of our supply chain by providing all of our direct suppliers with self-assessment tools and know-how for improving issues.

Note: Our improvement activities have been covered in a video. See the following URL.

▶ <https://www.youtube.com/watch?v=sUWBgu07Tp8&feature=youtu.be> 

## **3. Engagement with suppliers**

We believe that engagement with suppliers is crucial for improving the Fuji Oil Group's overall palm oil supply chain. In FY 2017, we engaged directly with major suppliers. In our engagement, we ensured that suppliers understand our Sourcing Policy and discussed supply chain risks and cooperation in our grievance mechanism in the event problems arise. In FY 2018, we plan to expand and strengthen engagement by sending self-assessment tools to all of the Fuji Oil Group's direct suppliers of palm oil.

## RSPO

The Fuji Oil Group endorses the creation of a sustainable production and consumption system, and has been a member of RSPO and used RSPO-certified oil since 2004.

Demand for RSPO-certified oil is increasing, mainly in Europe and the United States. In 2017, the sales volume of our group's products that use RSPO-certified oil increased to approximately 120,000 tons. This accounts for approximately 17% of the total volume of palm oil handled by the Group. To meet demand for RSPO-certified oil, we are proactively implementing various measures including the installation of additional tanks in Europe, supply chain improvements at group companies and acquisition of supply chain certification at business sites.

\* Check the status of our progress at

▶ <https://www.rspo.org/> 

## Activities to support smallholders in Borneo, Malaysia

Inefficient palm plantation operation by some smallholders has been identified as one of the factors causing environmental and human rights problems. To help these farmers gain expertise in environmentally, socially and economically sustainable plantation management, in January 2016 the Fuji Oil Group joined a smallholders support project called the Wild Asia Group Scheme (WAGS), which has been implemented by Wild Asia (an NGO) and our supplier. This project has provided educational support for four years with the aim of improving the productivity and working environment of approximately 110 smallholders in the supply chain of our group.

In May 2017, 55 smallholders that receive our support acquired RSPO certification. This means that as a result of our support, the smallholders can now produce palm oil with consideration for human rights and the environment. In addition, as one smallholder commented, by receiving instruction in the proper method for using pesticides, "the amount of pesticide used has decreased, leading to lower costs." We will continue to emphasize dialogue with and support for local residents.

## **Establishment of UNIFUJI SDN. BHD. (Malaysia)**

Promoting sustainable palm oil sourcing and accomplishing responsible product supply to customers and consumers are important themes of the Fuji Oil Group's business strategy. UNIFUJI SDN. BHD. is a joint venture with UNITED PLANTATIONS BHD., a partner that shares our intentions regarding sustainable palm oil. Our joint venture partner UNITED PLANTATIONS conducts sustainable plantation management in consideration of the human rights of its workers and the environment. UNIFUJI will secure palm oil that is a high-quality, sustainable raw material from the plantation of UNITED PLANTATIONS to produce and sell high-value-added palm oil products using the fractionation technology that is a strength of the Fuji Oil Group. UNIFUJI's plant, which is scheduled to start operation in the second half of 2018, is located within the plantation of UNITED PLANTATIONS and uses energy from biomass and wastewater.

## **Establishment of a grievance mechanism**

To put our Responsible Palm Oil Sourcing Policy into practice, in May 2018 we established and announced a grievance mechanism for processing complaints. It is a mechanism for handling any problems raised with the Fuji Oil Group by stakeholders in accordance with our Responsible Palm Oil Sourcing Policy. For transparency in handling grievances, we have set up the Fuji Oil Group Grievance Web Page (English) on the Group website. We strive to update the status of progress at least once each quarter and disclose related information to our stakeholders on this web page.

See the Fuji Oil Group Grievance Mechanism webpage at the following URL.

▶ [https://www.fujioilholdings.com/en/csr/grievance\\_mechanism/](https://www.fujioilholdings.com/en/csr/grievance_mechanism/)

## **Breeding research**

As palm oil consumption continues to grow globally, regions suitable for cultivation of the oil palm remain very limited, requiring increases in productivity and quality through improvements in oil palm varieties and higher yield per unit area. Since 2011, the Fuji Oil Group has been conducting joint research to improve palm productivity and quality with the Agency for Assessment and Application of Technology (Badan Pengkajian dan Penerapan Teknologi: BPPT), a government research organization in Indonesia, the world's largest palm oil-producing country. This has contributed to the development of palm research in Indonesia, including

success in major improvements in tissue culture techniques that have led to the production of superior oil palm seedlings and improved varieties. We intend to continue to contribute to the development of the palm oil industry and to sustainable palm oil production by working to help improve global environmental problems such as the decrease in tropical rainforests due to the expansion of palm plantations.



## Cooperation with the industry

### **The Palm Oil Working Group, the Japan Sustainability Local Group of the Consumer Goods Forum**

The Fuji Oil Group is participating in the Palm Oil Working Group, the Japan Sustainability Local Group of The Consumer Goods Forum (CGF), an international industry organization for consumer goods. Members from various business categories such as manufacturers of finished products and retail and wholesale companies participate in the Palm Oil Working Group to collect information and hold discussions aimed at achieving sustainable palm oil procurement in Japanese society.

### **Japan Sustainable Palm Oil Conference**

In November 2017, we co-sponsored the Japan Sustainable Palm Oil Conference, an event for Japanese society to consider sustainable palm oil sourcing, and took part in the panel discussion. We introduced our smallholder support and supply chain

improvement activities in cooperation with local NGOs and used the opportunity to share information and raise issues for Japanese society.

## Cacao

### Basic approach

The demand for chocolate is growing globally but there are concerns about a future tightening of supply and demand due to supply-side problems at plantations for cacao, which is the raw material of chocolate. These problems include farmers who are aging or who give up farming, the aging of cacao trees, the impact of climate change on production areas and low productivity due to a lack of knowledge and materials. Also, a complex web of human rights and environmental issues including poverty, child labor, forest destruction, and soil contamination have been identified among cacao farmers, who are mostly smallholders.

Cacao is one of the key raw materials for the Fuji Oil Group. The Group formulated the Fuji Oil Group Sustainable Cacao Sourcing Policy to continue to deliver the joys of food through products using sustainable cacao in the future. We aim to conduct sustainable cacao raw material sourcing based on this policy.

- ▶ [Responsible Cacao Sourcing Policy \(138KB\)](#) 

### Objective (Formulation currently under review)

We are currently examining and formulating objectives for realizing a sustainable cacao sourcing policy.

### Progress

- Reviewed strategies for stable sourcing of cacao produced in a sustainable manner
- Review of Sustainable Cacao Sourcing Policy

### Specific initiatives

#### Support activities for communities

#### Support activities in Ghana

Ghana is one of the world's major producers of cacao beans. Since 2014, Fuji Oil Co., Ltd. has been using a portion of the purchase price of cacao beans to provide community support along its supply chain in Ghana. The Company constructed a well in 2014 and has been conducting research to improve yield since 2016 for the communities receiving support.

### **Construction of a well (2014)**

Before the wells were constructed, community residents did not have access to safe drinking water, and had to rely on contaminated water in ponds and rivers for water for daily use, seriously affecting the health of residents. Also, children often had to fetch water from faraway places, and this deprived some of them of the opportunity to receive school education. However, now local residents use water from wells for drinking and cooking, and some people come a great distance from neighboring villages to draw water from the wells. We have received many joyful comments from local residents, such as "I use the well every day to get clean drinking water."

### **Research to improve yield (since 2016)**

We have selected a demonstration plantation to study the yield of cacao cultivated under different conditions. From October to December 2017, its yield increased by 18% compared with the same period a year earlier. We also conduct education on farming methods for cacao producers in the vicinity of the demonstration plantation. The content of the training includes plantation management (importance of weeding and pruning), pesticide management methods, and cacao harvesting and post-harvest management methods. When further improvement in yield at the demonstration plantation has been confirmed, we intend to provide information to nearby producers that will lead to an increase in production in the community.

We will continue to support cacao producers with the aim of establishing a sustainable cacao production and consumption system.



Children in the community

Billboard at the demonstration plantation for research on yield

## Participation in the World Cocoa Foundation (WCF)

Fuji Oil Co., Ltd. has been a member of the World Cocoa Foundation since 2012. The World Cocoa Foundation aims for the sustainable development of the cocoa industry and conducts activities to support farmers under the WCF's Commitment.

### The Commitment of World Cocoa Foundation



#### WCF's Commitment

- Profit** Fair and sufficient economic profit for farmers
- People** Empowering farmers to make choices that help develop strong, prosperous cocoa communities
- Planet** Promoting sustainable production practices that maintain and increase biodiversity and crop diversification

## Handling of certified cacao raw materials

### Fairtrade



FUJI OIL EUROPE(Belgium) has obtained Fairtrade certification, the aim of which is to promote the purchase of raw materials and products from developing countries. The company produces and sells products made from Fairtrade-certified raw materials according to customer requests.



The Fuji Oil Kanto Plant (Japan), FUJI OIL EUROPE (Belgium), and WOODLANDS SUNNY FOODS PTE. LTD.(Singapore) have obtained UTZ certification (an international certification program for sustainable agriculture) on a continuous basis. The Fuji Oil Group will promote the acquisition of UTZ certification according to customer demand.

## Soybeans

### Basic approach

Soybeans are cultivated in a wide range of areas from the cool temperate zone to the tropics, but there are concerns in soybean production areas about issues such as deforestation for farmland cultivation and soil contamination in agricultural areas due to spraying of pesticides. With the conviction that soybeans will relieve the global food-supply crisis, the Fuji Oil Group has been at the forefront of companies pursuing the potential of soybeans as a food ingredient since 1957. Believing that we should contribute to resolving social issues through our soybean business, we aim for procurement activities that take the global environment and society into consideration.

## Specific initiatives

### Production area of soybeans procured by the Fuji Oil Group

The Group procures only soybean ingredients from North America, China and Japan.

### Procurement of non-GM soybeans

Genetically modified crops are viewed with suspicion by many consumers in that their cultivation methods may lead to the destruction of biodiversity. The Fuji Oil Group procures only non-genetically modified (non-GM) soybeans. In North America, both GM soybeans\*<sup>1</sup> and non-GM soybeans are distributed in large quantities. Therefore, regarding the procurement of soybeans produced in North America, we

conduct strict control to ensure that non-GM soybeans shipped to us are cultivated, transported and stored separately from GM soybeans.

In China, a major procurement source of soybeans for us, cultivation of GM soybeans is prohibited, but in recent years, GM soybeans grown outside China have been imported as raw materials for oil extraction. Therefore managing non-GM soybeans by strictly separating them from GM soybeans is increasing in importance year by year. In addition to obtaining IP certification\*<sup>2</sup> in 2013, Jilin Fuji Protein (China) has continued to respond to strict management requirements by adopting management know-how from Fuji Oil Group.

\*1 Genetically modified (GM) soybeans Soybeans that have been created by adding functions such as herbicide resistance by means of gene recombination, to produce more stable yields. Although GM soybeans account for more than three-quarters of the world's soybean production, the use of GM soybeans still raises concerns about the environmental impact of their cultivation methods.

\*2 IP certification: Non-GMO Supply Chain Certification

## Shea Nuts\*

### Basic approach

To meet diversifying demand for chocolate and food products that contain it, cocoa butter equivalents (CBE) are also diversifying. Shea butter, which is produced in Africa, is an indispensable raw material for making superior CBE. Shea butter has long been used in food products, but its popularity for use in cosmetics and other applications has also risen in recent years. The Fuji Oil Group wants to contribute through its business to the sustainable development of shea nut production areas from economic, social and environmental perspectives. Group company International Oils and Fats Ltd. in Ghana carries out the nut-sorting process for shea butter in-house, thus adding value to products on-site (Ghana) and contributing to the local economy and the creation of employment opportunities.

\* Shea nut: The shea nut is the seed of the fruit of the shea tree. Major producers include Nigeria, Mali, Burkina Faso and Ghana. Shea butter produced from the nuts is used in foods, cosmetics and soap.

## Specific initiatives

### Participation in the Global Shea Alliance (GSA)

The shea nut industry would be difficult to sustain without the harvesting work performed by what is claimed to be approximately 16 million women in West Africa. Therefore, achieving gender equality, securing living standards and ensuring worker safety at harvest are important. In addition, tree cutting to secure fuel for the local people's daily lives is among the issues that have been identified as an environmental problem. Because these issues cannot be resolved by one company alone, discussions are being conducted at the Global Shea Alliance (GSA), which is made up of 430 members in 31 countries (as of March 2017). We network with stakeholders and gather information through the GSA. As part of these efforts, the Fuji Oil Group participated in the international conference "Shea 2017: Seeds of Change" held in Cotonou, Benin in March 2017.



Shea tree

### **Participation in a UNDP project (regional reconstruction, advancement of women and promotion of environmental protection through shea cultivation in Ghana)**

Fuji Oil Holdings and FUJI OIL EUROPE (Belgium) are considering participation in the Ghana Shea Landscape REDD ++ Project organized by the United Nations Development Programme (UNDP). This project is scheduled to promote multifaceted activities including creation of job opportunities, planting activities and support for community development so that the shea nuts industry can promote community revitalization and women's advancement and reduce negative impact on the environment.

# Stable procurement of raw materials

## Basic approach

Crop failure due to climate change and disruption of the supply chain due to natural disasters have a major impact on stable procurement of sustainably produced raw materials. As a response to these procurement risks, we strive to build a structure for stable procurement of raw materials under normal conditions.

## Basic Purchasing Policy

In 2010, Fuji Oil Co., Ltd. formulated the Basic Purchasing Policy, in accordance with which we conduct all procurement activities.

1. We stably procure high-quality raw materials from a wide variety of business partners at reasonable prices through fair and equitable deals while strictly complying with applicable laws and social norms.(Fairness, legal compliance and ethics)
2. In order to accomplish the above objectives, we achieve coexistence and co-prosperity with our business partners by deepening collaboration through joint creative activities.(Partnership)
3. In order to contribute to the realization of a society that can develop sustainably, we consider the global environment, labor, human rights, etc., in our procurement.(Social responsibility)

## Objective

Build a stable procurement system by 2020

## Progress

The following are ongoing measures.

- Increase in the number of production areas
- Purchasing from multiple suppliers
- Introduction of a cooperative purchasing system among group companies

## Specific initiatives

### Response to procurement risks due to climate change

Global warming will bring about higher temperatures, a rise in sea levels and changes in precipitation patterns, resulting in increased frequency of extreme

weather events such as floods, droughts and heat waves.

These climate changes are likely to affect the supply and demand of agricultural products, and therefore pose a significant threat to our stable procurement of raw materials, as our Group uses agricultural products as raw materials. To prepare for such risks, in addition to securing raw materials by concluding long-term contracts with particular suppliers who ensure a stable supply, we are promoting the procurement of raw materials from multiple sources and suppliers.

## **Response to procurement risks caused by large-scale disasters**

It is important to ensure business continuity for the entire supply chain in the event of a large earthquake or other natural disaster. As a countermeasure for the risk of delays in raw material supply due to disasters, Fuji Oil Group companies in Japan confirm the response systems of their suppliers through questionnaire-based surveys. In a business continuity plan (BCP) survey conducted in FY 2017, 72% of manufacturers responded that they will be able to continue supply based on the measures of their respective BCPs. For the 22% of manufacturers who responded that supply would not be possible until resumption of service and the 6% of manufacturers who responded that they would have problems handling raw materials, we are conducting follow-up checks and working to create a supply chain BCP and ensure continuity with alternative products, including purchasing from multiple sources.

Due to a labor shortage in Japan in recent years, and a particularly severe shortage of drivers, conditions have emerged that give rise to obstacles to timely delivery. To procure raw materials in a stable manner and continue business, we are promoting various measures in cooperation with our business partners, including storing delivered raw materials in warehouses around our business operations. To respond to these changes in the business environment, four group companies in Japan will conduct centralized purchasing, including sharing of raw materials, as part of a revision of the Group's supply chain to continue business.

## **CSR Procurement Guidelines and supplier surveys**

### **CSR Procurement Guidelines**

Under the belief that cooperation with business partners is essential to achieving sustainable procurement, we have drawn up and announced a list of matters requested of suppliers by four group companies in Japan – Fuji Oil Co., Ltd., TORAKU

FOODS CO., LTD., FUJI FRESH FOODS CO., LTD., , and OMU MILK PRODUCTS CO., LTD.  
– as our CSR Procurement Guidelines (2nd Edition).

▶ [CSR Procurement Guidelines \(2nd Edition\) PDF\(140KB\)](#) 

## **Conducting supplier surveys to promote stable procurement**

To ensure that procurement is undertaken in accordance with the CSR Procurement Guidelines (2nd Edition), in March 2016 we conducted a questionnaire-based survey of partner manufacturers and trading companies and identified companies that can maintain the safety of raw material supplies. In addition, in FY 2017, manufacturers and trading companies cooperated in our safety check of all the raw materials we use (factory inspections, etc.), and we confirmed that there were no major problems at 70% of manufacturers.

To improve food safety, we will make requests for reconfirmation and improvement, among other measures, at the other 30% of manufacturers, from whom we expect understanding and cooperation. In addition, based on the results of the BCP questionnaire conducted in November 2017, we will regularly disseminate our procurement policies and strengthen communication with our business partners so that we receive a “stable and continuous” supply of “reliable, safe and sustainable raw materials.”

**Sustainability**

# Environment

**Basic approach**

Giving utmost consideration to the global environment not only leads to reduced costs and the creation of economic value, but is also the very essence of our values based on the Fuji Oil Group Management Philosophy. The Fuji Oil Group conducts its business activities with consideration of their impact on the global environment, and based on the following four items it has established its Basic Policy of Environmental Integrity: 1. We strive to continuously improve our environmental protection activities; 2. We work in full compliance with the environmental laws & regulations and spirit thereof; 3. We endeavor to develop environmentally-friendly products and technologies; and 4. We make efforts to well communicate with society.

**Scope of reporting**

(Japan)
Fuji Oil Co., Ltd.
TORAKU FOODS CO., LTD.
FUJI FRESH FOODS CO., LTD.
F&F CO., LTD.
Omu Milk Products Co., Ltd.
Fuji Kobe Foods Co., Ltd.

**(Japan)**

Fuji Tsukuba Foods Co., Ltd.

HANNAN TANK TERMINAL CO., LTD.

Chiba Vegoil Tank Terminal Co., Ltd.

**(Outside Japan)**

FUJI OIL ASIA PTE. LTD.

FUJI OIL (SINGAPORE) PTE. LTD.

PALMAJU EDIBLE OIL SDN. BHD. (MALAYSIA)

WOODLANDS SUNNY FOODS PTE. LTD. (SINGAPORE)

PT. FREYABADI INDOTAMA (INDONESIA)

Fuji Oil (Thailand) Co., Ltd.

GCB Specialty Chocolates Sdn. Bhd. (Malaysia)

Fuji Oil (China) Investment Co., Ltd.

FUJI OIL (ZHANG JIA GANG)CO., LTD. (CHINA)

Fuji Oil (Zhang Jia Gang Free Trade Zone) Co., Ltd. (China)

JILIN FUJI PROTEIN CO., LTD. (CHINA)

Tianjin Fuji Protein Co., Ltd. (China)

Shanghai Xuyang Food Co., Ltd. (China)

Shandong Longteng Fuji Foodstuffs Co., Ltd. (China)

FUJI OIL EUROPE (BELGIUM)

**(Outside Japan)**

FUJI VEGETABLE OIL, INC. (USA)

HARALD (BRAZIL)

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Priority theme

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Priority theme

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# Environmental Management

## Objectives

### Environmental Vision 2020

In FY 2010, the Fuji Oil Group set forth Fuji Group Environmental Vision 2020, which includes targets for reducing CO<sub>2</sub> emissions and the amounts of water usage and discharge by 20% from base year levels by the year 2020.

#### Fuji Group Environmental Vision 2020

In Japan
Global warming prevention: 20% reduction in CO <sub>2</sub> emissions by 2020 (compared to base year)
Conservation of water resources: 20% reduction in the amount of water usage/discharge by 2020 (compared to base year)
Recycling of resources: Recycling rate of at least 99.8% by 2020
Active earth greenery and biodiversity conservation activities

\* Base year: Mean value of the period 2003-2005 (Tokyo Cap-and-Trade Program)

#### Reduction at Group Companies Outside Japan (compared to base year)

Global warming prevention: 20% reduction in CO <sub>2</sub> emissions by 2020 (compared to base year)
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\* Base year: 2006

## Progress

In FY 2017, group companies in Japan reduced CO<sub>2</sub> emissions by 9.8%, the amount of water usage by 20.7% and the amount of water discharge by 20.4% from the base year. The decreases in the amount of water usage and the amount of water discharge met the targets of Environmental Vision 2020. We will continue efforts to promote day-to-day energy-saving activities, and reduce the amounts of water usage and discharge. We have maintained our resource recycling rate at the high level of 99.96%

## Formulation of new Environmental Vision 2030

The Fuji Oil Group will formulate a new Environmental Vision 2030 with a target year of 2030. It will set forth three items: 1. reduction of CO<sub>2</sub> emissions, 2. reduction of water usage, and 3. reduction of waste, and apply them in all group companies. In FY 2017, we examined and formulated 1. CO<sub>2</sub> reduction of CO<sub>2</sub> emissions.

### Reduction of CO<sub>2</sub> emissions

Since the Paris Agreement, efforts to prevent global warming and climate change have been gaining momentum. The Fuji Oil Group will also promote more aggressive measures to contribute to the prevention of global warming. The Group considered the formulation of Environmental Vision 2030 in line with the approach of Science Based Targets (SBT), which aims to hold the increase in global average temperature to less than 2°C above the pre-industrial level. As a result, in Environmental Vision 2030 we set a CO<sub>2</sub> emissions target of a 24% reduction by 2030, compared to the base year of 2016. In June 2018, the Group submitted a commitment letter to SBT, and aims to acquire SBT certification within two years.

### Reduction of water usage and waste

In FY 2018 we will continue to follow Environmental Vision 2020. We are planning to ascertain the current status of all Group companies during FY 2018 and formulate new targets for Environmental Vision 2030.

## Promotion System

### Group Environmental Management System

In the Fuji Oil Group Management Philosophy, we have declared "safety, quality, and the environment" as values that inform the actions of all our employees. On that basis, we have established our Basic Policy of Environmental Integrity, and promote its practice throughout the Group in our business activities, as well as initiatives to raise environmental awareness. The position of Chief Quality Officer (CQO), who is responsible for improving safety, quality and environmental levels from a global perspective, was newly established at Fuji Oil Holdings. We will continue to conduct Group-wide audits and monitoring of environmental measures to apply the Basic Policy of Environmental Integrity to our business activities.

## Educational and Awareness-Raising Activities



Meeting of Safety, Quality & Environment

The Fuji Oil Group holds a Meeting of Safety, Quality & Environment inside and outside Japan with the aim of raising awareness of safety, quality and the environment, and raising the level of each group company through the exchange of information and ideas. Seven group companies in China participated in the Meeting held at FUJI OIL (CHINA) INVESTMENT CO., LTD. in October 2017. At the Meeting, persons in charge of safety, health, quality assurance, and environmental conservation, mainly plant managers and production managers, gather in one location.

Group companies reported on activities undertaken in the previous fiscal year and their results, future tasks and other matters in addition to sharing information on occupational accidents that occurred. In addition, to ensure thorough implementation of Group policy, Fuji Oil Holdings explained the Fuji Oil Group Basic Policy of Safety, Quality and Environment and held a briefing session on the formulation of a new environmental vision.

We will continue to regularly hold meetings in these areas to further promote sharing of our value of “safety, quality, and the environment” throughout the entire Group.

### **Highlights: Incentives for Employees**

As of FY 2016, we have established a Safety, Quality & Environment category in our management awards program to recognize departments and group companies that have made excellent efforts to contribute to society through their business activities. Once a year, we present awards to companies and departments among the group companies that have achieved outstanding results.

### **ISO 14001 Certification**

To more rigorously manage the environmental impacts of its production activities, the Fuji Oil Group's production bases and group companies have obtained ISO 14001: 2015 certification, a globally recognized standard for environmental management systems.

In September 2000, the Hannan Business Operations Complex, which accounts for 85% of the Group's production volume in Japan, obtained ISO 14001 certification. By December 2010, all six of our six production plants and our research laboratories in Japan had obtained the certification.

See the following website for the latest status of ISO 14001 certification.

▶ <https://www.fujioilholdings.com/en/about/authen/iso14001/>

### **Environmental Audits**

#### **Overview of safety, quality and environment-related audits**

The Fuji Oil Group carries out in-house audits on safety, quality, and the environment according to the contents stipulated within our Basic Policy of Safety, Quality and Environment with the goal of improving manufacturing controls at our group companies.

Audits are promoted by not just performing checks, but also by explaining why they are important. By verifying, evaluating, and offering advice on the initiatives of each group company through these audits, we will continue working to prevent accidents related to workplace safety, quality, and environmental conservation, while also improving and boosting productivity.

## Environmental Audits

The Fuji Oil Group and its group companies in Japan perform in-house environmental audits every year that cover production bases and every department to monitor compliance with all applicable environmental laws and regulations. In addition, every year these same bases and departments are inspected by an external ISO certification body.

In FY 2017, 56 departments from group companies in Japan underwent in-house environmental audits and external audits. No nonconformities were found. In-house environmental audits were also conducted at 13 bases outside Japan.

Going forward, we will continue to conduct these audits and to streamline the auditing system, review our procedure manuals, and make on-site improvements.

## Serious environment-related violations and measures

In FY2017, there were no serious violations in the environmental area in the Fuji Oil Group.

## External evaluations

### Received the Osaka Stop Global Warming Awards Special Prize in FY 2017



Award ceremony

In December 2017, Fuji Oil Co., Ltd. received the Osaka Stop Global Warming Awards Special Prize for FY2017. These awards are presented by Osaka Prefectural Government to honor businesses that have made outstanding efforts in areas including reduction of greenhouse gas emission in their business activities. We received the award in recognition of achieving a 1.3% year-on-year reduction in greenhouse gas emissions in FY 2016 due to proactive introduction of equipment and operational improvements at Fuji Oil Co., Ltd.

## Evaluation and preferential tax treatment under Japan's Energy Conservation Act

For the three consecutive years from FY 2015 to FY 2017, Fuji Oil Co., Ltd. has received an "S evaluation," the highest rating, under the "Business Operator Classified Evaluation System" based on the regular reporting to which specified business operators and specified chain operators are subject pursuant to Japan's Act on the Rational Use of Energy (Energy Conservation Act).

In addition, Fuji Oil Co., Ltd. is a business eligible to receive tax measures under the Energy Conservation Promotion Taxation System of the Incentives for Investment in Advanced Energy Conservation and Renewable Energy established in Japan's 2018 tax reforms. These tax measures allow for the receipt of preferential tax treatment such as special depreciation when designated equipment as set forth in the

mid- to long-term plan of the Energy Conservation Act is newly acquired within the applicable period and used for business purposes.

## Data

### Environmental Audit Results (In-house Environmental Audits, External audit) (Group Companies in Japan)

(Unit/Post)

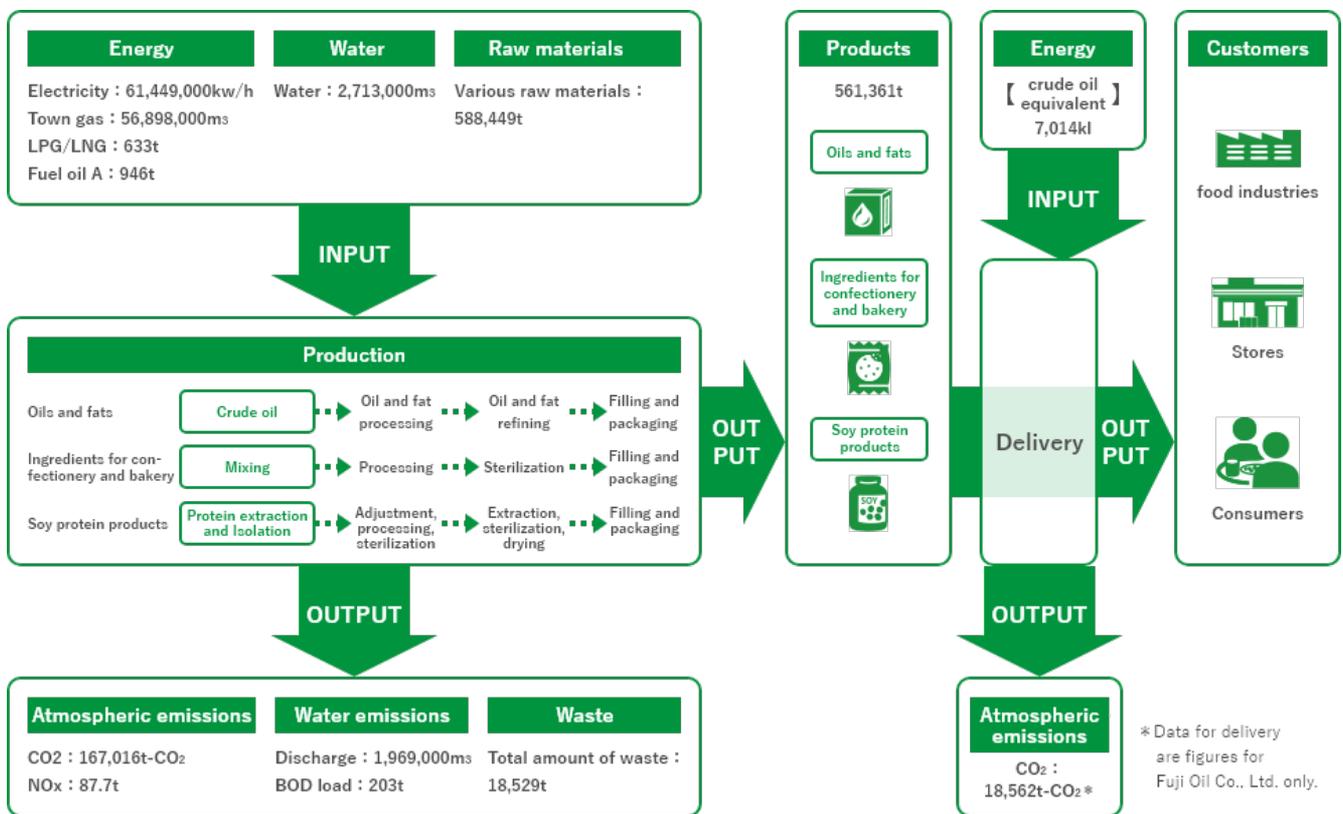
		In-house environmental audits	External audit
FY 2013	Nonconformity	0	0
	Monitoring required	59	2
FY 2014	Nonconformity	0	0
	Monitoring required	79	6
FY 2015	Nonconformity	0	0
	Monitoring required	67	6
FY 2016	Nonconformity	0	0
	Monitoring required	54	8
FY 2017	Nonconformity	0	0
	Monitoring required	26	5

Note: Audits of 56 departments (including documentation audits of 23 departments)

### Overview of Environmental Impacts (Input/Output)

The Fuji Oil Group records and analyzes inputs, such as materials and energy, and outputs, such as waste, from raw material procurement to production and logistics, in order to mitigate environmental impacts of its business activities.

### Overview of Environmental Impacts from business activities of domestic group companies



## Environmental accounting

Environmental costs and benefits were calculated in accordance with the Environmental Accounting Guidelines 2005 published by the Ministry of the Environment of Japan.

### Scope of tabulation

Fuji Oil Co., Ltd. (non-consolidated)

### Period

April 2017 to March 2018

### Calculation methods

Investment amount: Where 50% or more of the investment amount was for environmental protection, the entire amount was considered an environmental investment.

Depreciation: The declining-balance method of depreciation was used for all investments in the prior six years for which 50% or more of the amount was for environmental protection. The depreciation period was set at 10 years in all cases.

Costs that were directly known were tabulated in their entirety. Costs that could not be directly known were calculated and tabulated based on the percentage pertaining to the actual application.

Economic benefit realized from environmental protection was recorded only where demonstrated.

### Environmental costs

(Million yen)

Category	Key Activities	FY2013		FY2014		FY2015		FY2016		FY2017	
		Investment	Expenses								
Business area cost		108	930	108	991	360	908	401	1,202	846	1,313
Details	(1) Pollution prevention cost	15.9	358	36.6	353	67	351	67	407	352	420
	(2) Global environmental conservation cost	16.1	260	54.2	326	271	223	287	374	486	486
	(3) Resource recycling cost	76.5	311	16.9	312	22	334	47	422	8	407
Upstream / downstream cost	Introduction of cardboard-free facilities, premiums of green purchases, etc.	78	18	118	35	1	27	0	3	0	3
Administration cost	Development / maintenance of ISO 14001 management system, employee training, creation of environmental reports, etc.	—	239	—	248	—	238	0	236	0	236
R&D cost	Research on advanced use of resources, etc.	—	147	—	142	—	139	0	142	0	130
Social activity cost	Cleanup activities around plants, support for groups engaged in environmental conservation, etc.	—	3.44	—	4.07	—	3.65	0	3.51	0	3.51
Environmental remediation cost	Pollution load charges	—	7.85	—	8.13	—	7.27	0	5.93	0	5.93
<b>Total</b>		<b>187</b>	<b>1,345</b>	<b>226</b>	<b>1,429</b>	<b>361</b>	<b>1,323</b>	<b>401</b>	<b>1,593</b>	<b>846</b>	<b>1,691</b>

## Environmental benefits

Note: Data from 2013 onward have been changed due to a revision of the range of the totals, including conversion coefficients.

Category	Environmental Performance Indicator	Unit	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Benefit related to resources input into business activities	Energy consumption per unit of production	L/t	174.9	158.7	153.4	149.1	152
	Amount of water usage	Thousand m <sup>3</sup>	2,870	2,759	2,845	2,859	2,713
	Water discharged per unit of production	m <sup>3</sup> /t	5.69	5.16	5.16	4.90	4.83
Benefit related to waste or environmental impact originating from business activities	CO <sub>2</sub> emissions per unit of production	kg- CO <sub>2</sub> /t	342	309	300	291	299
	Amount of water discharged	Thousand m <sup>3</sup>	2,058	1,993	2,073	2,069	1,969
	Water discharged per unit of production	m <sup>3</sup> /t	4.05	3.73	3.60	3.54	3.51
	Amount of waste discharged	/t	18,543	18,456	18,439	19,850	18,529
	Waste discharged per unit of production	kg/t	65.1	21.7	12.4	17.0	33.0
Benefit related to goods and services produced from business activities	Waste recycling rate	%	99.97	99.96	99.97	99.94	99.96

Some figures may be different from those published in last year's report due to changes made to the energy conversion coefficient and other data.

## Economic benefit associated with environmental conservation activities

(Million yen)

Category	Details	Amount				
		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenue	Profit from sale of valuable materials obtained through waste recycling (soy pulp, waste oil, used cardboard)	17	18	20	21	14
Cost reduction	Cost reduction through waste reduction activities	160	173	176	156	164
<b>Total</b>		177	191	196	177	177

## Efforts by Theme 1. Reduction of CO<sub>2</sub> emissions

### Objective

See the Environmental Management section

▶ <https://www.fujioilholdings.com/en/csr/environment/management/>

### Progress

#### Group Companies in Japan

In FY 2017, CO<sub>2</sub> emissions at group companies in Japan were 167,016 t- CO<sub>2</sub>, a decrease of 1.7% from the previous fiscal year. CO<sub>2</sub> emissions per unit of production \* increased by 2.4%. Efforts to reduce electricity consumption through a revision of the air compressor system and a decrease in production volume were factors that decreased emissions. However, the impact of a decline in production efficiency due to the lower production volume and an increase in product changeovers resulted in an increase in emission per unit.

Unit: CO<sub>2</sub> emissions per ton of production volume

#### Group Companies outside Japan

In FY 2017, CO<sub>2</sub> emissions from Group companies outside Japan were 324,066 t- CO<sub>2</sub>, a decrease of 5.0% from the previous fiscal year. We implemented the following as measures to reduce CO<sub>2</sub> emissions.

- June 2017: PALMAJU EDIBLE OIL SDN. BHD.(Malaysia) renovated its former facility as a new high-efficiency facility.

- November 2017: Fuji Oil (Zhang Jia Gang) Co., Ltd. (China) converted some boilers from diesel to gas.
- December 2017: PT. FREYABADI INDOTAMA (Indonesia) converted its boilers from diesel to gas.

## **Third-party Verification of CO<sub>2</sub> Emissions**

For a more accurate understanding of its CO<sub>2</sub> emissions, the Fuji Oil Group received its first verification by a third party in April 2018. Through the verification, we conducted a review of our method for obtaining activity levels and CO<sub>2</sub> emission factors. As a result, CO<sub>2</sub> emissions by group companies in Japan were 167,584 t- CO<sub>2</sub> and CO<sub>2</sub> emissions by group companies outside Japan were 303,415 t- CO<sub>2</sub>. During the current fiscal year we are promoting initiatives to further increase the accuracy of our figures and will reflect these figures in future CO<sub>2</sub> reduction activities.

Greenhouse gas emissions

Total energy consumption (CO<sub>2</sub> emissions equivalent) and energy consumption per unit of production



Total energy consumption (CO<sub>2</sub> emissions equivalent) and energy consumption per unit of production



Fuji Oil Group Scope-1, 2 energy consumption (CO<sub>2</sub> emissions)

## Sources of emission factors

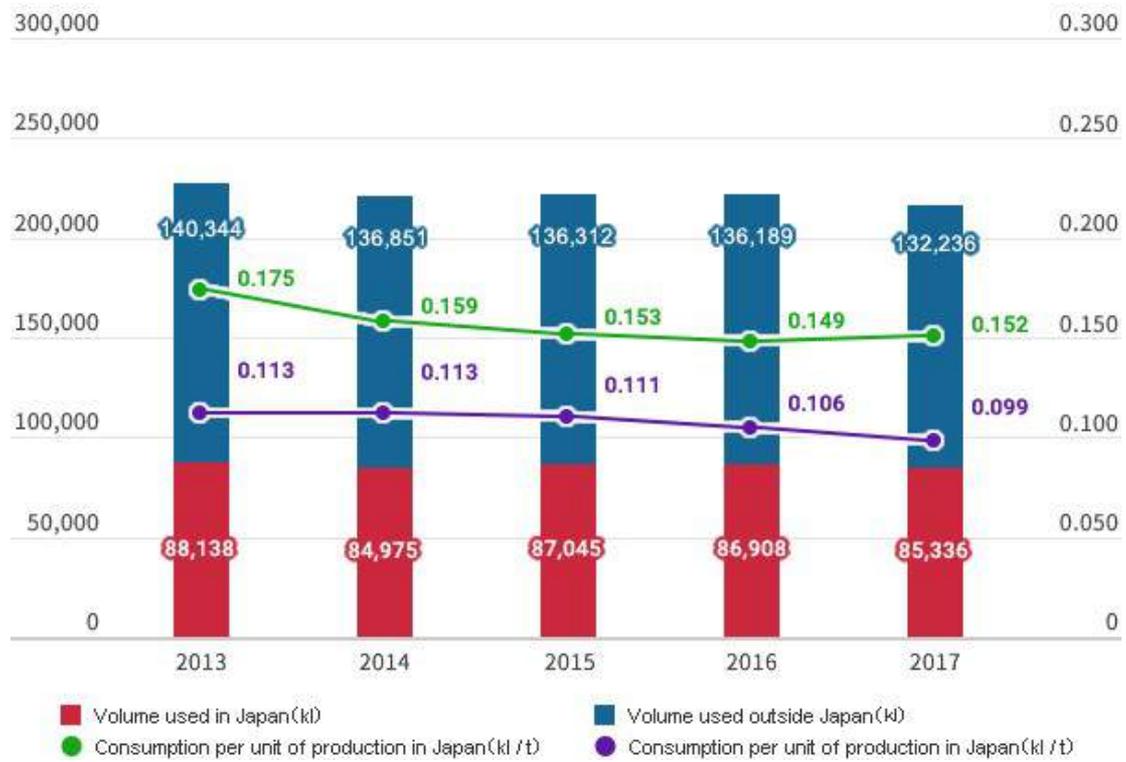
	In Japan	Outside Japan
<b>Fuel</b>	"Manual for Calculating and Reporting Greenhouse Gas Emissions"	
<b>Electricity</b>	"Manual for Calculating and Reporting Greenhouse Gas Emissions" Default value factor 0.555 tons/MHh	

## Sources of emission factors used for third-party verification

	In Japan	Outside Japan
<b>Fuel</b>	"Manual for Calculating and Reporting Greenhouse Gas Emissions"	"Manual for Calculating and Reporting Greenhouse Gas Emissions"
<b>Electricity</b>	"Manual for Calculating and Reporting Greenhouse Gas Emissions" Factor by supplier	Emission factors by country from the International Energy Agency's "CO <sub>2</sub> Emissions from Fuel Combustion" North America: United States Environmental Protection Agency

## Energy consumption

### Total energy consumption (crude oil equivalent) and energy consumption per unit of production



### Fuel consumption

(Unit: kl)

	Light oil	Heavy oil	LPG	LNG	Coal	City gas
<b>In Japan</b>	0	954	276	595	0	71,645
<b>Outside Japan</b>	707	0	943	10,452	32,882	39,536
<b>Total</b>	707	954	1,219	11,047	32,882	111,181

## Total power consumption

(MWh)

	Total electric energy	Electric energy produced in-house
<b>In Japan</b>	150,185	104,495
<b>Outside Japan</b>	189,344	0
<b>Total</b>	339,529	104,495

## Efforts by Theme 2. Reduction of water usage

### Objective

See the Environmental Management section.

▶ <https://www.fujioilholdings.com/en/csr/environment/management/>

### Progress

The amount of water used by Group companies in Japan in FY 2017 was 2,713 tons, a decrease of 5.1% from the previous fiscal year. This was due to activities to reuse drainage water as a supplementary feed for cooling towers. Water usage by group companies outside Japan totaled 2,392 tons, a decrease of 4.1% from the previous fiscal year.

Wastewater at group companies in Japan totaled 1,969 tons, a decrease of 4.8% from the previous fiscal year. Wastewater at group companies outside Japan totaled 1,116 tons, a decrease of 18.0% from the previous fiscal year.

### Specific Initiatives

#### Risk and opportunity management and measures

##### Risk and opportunity management techniques

We assess the water-related impacts of our business activities in terms of both risks and opportunities. We manage water-related risks as part of the risk management systems of all group companies. We utilize water-related opportunities in our business strategies by quantitatively ascertaining the impact of certain products based on the concept of virtual water.

See the following website for the Fuji Oil Group's risk management system.

▶ [https://www.fujioilholdings.com/en/csr/risk\\_management/](https://www.fujioilholdings.com/en/csr/risk_management/)

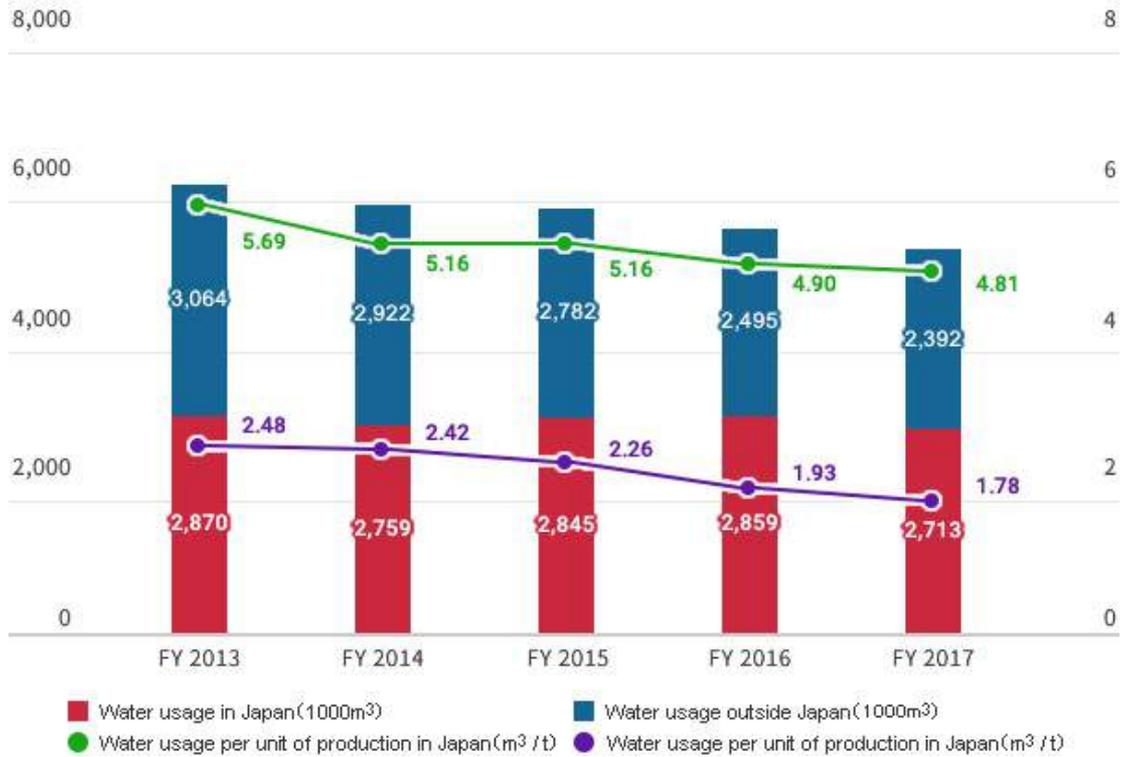
## **Water risk**

A Group-wide risk assessment in FY 2017 determined a risk at some operating companies in China that procurement of water used in production activities may have a negative impact on the operating region in regions where water shortages are a concern, and that there may be instability in securing water resources by group companies. We regularly ascertain the volume of water usage at our plants and work to reduce it, and are taking countermeasures by installing water storage tanks.

## **Water-related opportunities**

Lack of water resources due to population growth is a global issue. Soybeans, which are one of the Fuji Oil Group's businesses, contain abundant proteins and water consumption during production is lower than for animal protein sources. The Group develops soy-based ingredients such as soy meat and cheese-flavored soy milk ingredients, which use a smaller amount of water throughout the supply chain than animal meat and cheese, and offers them to society.

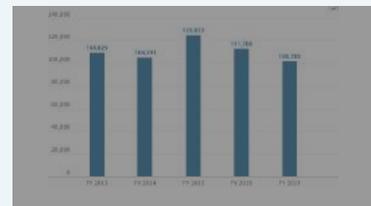
### Annual water usage and water usage per unit of production



Annual water usage and water usage per unit of production



Annual wastewater and wastewater per unit of production



Recycled water volume for the Hannan Business Operations Complex of Fuji Oil Co., Ltd.

## Efforts by Theme 3. Waste reduction

### Objective

See the Environmental Management section.

▶ <https://www.fujioilholdings.com/en/csr/environment/management/>

### Progress (Reasons for change from previous year and efforts towards targets)

In FY 2017, total waste discharged by group companies in Japan was to 18,529 tons, a decrease of 6.7% from the previous fiscal year. The recycling rate remained at a high level of 99.96%. At group companies outside Japan, total waste discharged increased by 27.3% compared with the previous year. This was due to the adoption of fees for certain wastes due to a change in regulations in China and their addition to total wastes.

### Measures for food recycling

Group companies in Japan are working to reuse food waste pursuant to the Food Recycling Act. The amount of food waste generated was approximately 31,727 tons in FY2017, a decrease of approximately 8,086 tons from the previous fiscal year. The recycling rate rose by 0.8 points from the previous year to 99.5%.

The Act sets a target for the food manufacturing industry of reuse of 85% or more of recyclable food resources, but the Fuji Oil Group has achieved a higher level of 97.3% or more since it first set a target in FY 2007 and will continue to maintain it.

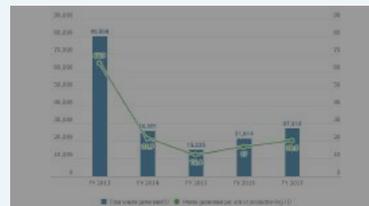
We will continue our efforts to maintain this level in the future.

Total waste discharged (food and other wastes)

Fuji Oil Group in Japan total waste discharged and recycling rate



Fuji Oil Group in Japan total waste discharged and recycling rate



Total waste discharged and waste discharged per unit of production by Group companies outside Japan

## Efforts by Theme 4. Climate change

### Basic approach

Climate change has been recognized as an important issue for society's realization of sustainable development. As a member of society, we regard the impact (risks and opportunities) that climate change can have on the Fuji Oil Group as an issue in the business strategies of Fuji Oil Holdings and each Group company. We strive to help resolve this issue by reducing the negative impact of our business activities on climate change.

### Risk and opportunity management and countermeasures

#### Risk and opportunity management techniques

Fuji Oil Holdings, which is responsible for formulating the Group's overall management strategy, manages the risks and opportunities associated with climate change. From their specialized viewpoints, the CSR and Risk Management Group, environment-related groups and various other departments gather information on climate change from publicly disclosed data and through dialogue with industry groups, stakeholders and others and utilize it in planning strategies. Our strategy regarding climate change is reported at meetings of the ESG Committee, which is an advisory body to the Board of Directors, and proposed to the Board of Directors. We manage risks caused by climate change through the Group-wide risk management system.

See the following website for our methods of managing the risk management system.

▶ [https://www.fujioilholdings.com/en/csr/risk\\_management/](https://www.fujioilholdings.com/en/csr/risk_management/)

## Climate change-related risks (FY 2017)

<b>Regulatory risk</b>	Risk of decreased production at some group companies in China as a result of operational restrictions from the administrative authorities where their plants are located
<b>Physical risk</b>	Risk of injury to employees, damage to equipment and suspension of production if a hurricane directly hits the operating area of a group company in the United States
<b>Other risks</b>	Risk of conflict with the Fuji Oil Group's procurement policy and damage to stakeholder trust from procurement of raw materials (palm oil) cultivated in a way that could negatively affect climate change, such as the destruction of forests with high conservation value

## Climate change-related risks (FY 2017)

There is a shortage of livestock feed due to drought, and as a result beef cattle production is decreasing and beef cattle prices are rising. In addition, amid concerns about the negative impact of beef cattle production on climate change, there are expectations of the adoption of "Meatless Mondays" in some parts of Europe and the United States and an increase in flexitarians (a term coined by combining "flexible" with "vegetarian," meaning people whose diets are oriented toward vegetables but who occasionally eat meat or fish). These changes are expected to expand the market for plant proteins, with soybeans at the forefront.

## Opportunities due to climate change (FY 2017)

<b>Regulations</b>	Local governments in some parts of the West Opportunity to increase demand for Fuji Oil soy protein ingredients due to promotion of “Meatless Mondays” by some local governments in Europe and the United States and expansion of plant protein market
<b>Physical impact</b>	Opportunity for increased demand for the Fuji Oil Group’s soy protein products such as soy meat if beef cattle production declines due to a livestock feed shortage caused by drought or other factors
<b>Other impacts</b>	Opportunity for increased demand for Fuji Oil soy protein ingredients from expansion of the plant protein market due to the accelerating increase in millennials and other consumers who are concerned about the issue of climate change

## Efforts by Theme 5. Reduction of packaging materials

### Measures to reduce the environmental impact of packaging materials

The container and packaging of a product plays the important role of protecting the product's quality so that it reaches the customer in safe and secure condition. However, it is also a fact that most packaging become waste after use by customers. Fuji Oil Co., Ltd. promotes the "3Rs" (reduce, reuse, recycle) for containers and packages as its basic approach. Among these three measures, we are strengthening measures to "reduce." For cardboard, we are promoting lighter and thinner packaging corresponding to the appropriate strength for the weight of the contents and temperature range of use, and reducing labels and mounts by switching from pasting on labels to a direct printing method using an inkjet printer. Other measures we are promoting include switching from small containers to large-capacity containers that can be reused. We will continue to proactively work to reduce environmental impact in the production and transportation process by reducing packaging materials.

## Efforts by Theme 6. Biodiversity

### Potential impact of business activities on biodiversity

The Fuji Oil Group recognizes that due to the nature of being a food manufacturer, its raw material procurement and production activities can have an impact on biodiversity. Specifically, there is a possibility that reduced biodiversity due to the raw materials (agricultural crops) in its production areas, water discharged as a result of its production activities or other factors may impair biodiversity in its operating areas. We recognize these effects and are making efforts to reduce negative impacts on biodiversity.

### Measures to Conserve Biodiversity

#### Procurement focusing on biodiversity

The Fuji Oil Group, which uses agricultural produce as key raw materials, believes that it should actively promote efforts to conserve biodiversity. As for palm oil, whose production causes biodiversity loss due to farmland reclamation, we declare our commitment to the goal of sourcing deforestation-free palm oil with our Responsible Palm Oil Sourcing Policy. We also participate in an educational support project for smallholders, through which we work to improve productivity in the abundantly biodiverse Kinabatangan district of Sabah, Malaysia, with the goal of preventing deforestation for farmland reclamation and chemical pollution of rivers, thereby contributing to the conservation of biodiversity.

See "Sustainable Procurement" for more information on our Responsible Palm Oil Sourcing Policy and support activities for smallholders

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

## Continuous implementation of Hannan-no-Mori Project

The Hannan Business Operations Complex has implemented the Hannan-no-Mori Project to restore satoyama forest in the Kaminogo area of Izumisano City (Osaka Prefecture), under the Adopt-a-Forest system.\* In this project, Fuji Oil Group employees continued to participate in forest development activities such as forest maintenance in FY 2017. In addition, since March 2018 we have been participating in the creation of a park in the Izumisano hillside green belt in Osaka Prefecture. At the site, local volunteers, Osaka Prefecture and the company work together to engage in forest development, bamboo forest management and other work and conduct activities to cultivate park greenery.

\* Adopt-a-Forest system: A system aimed at supporting participation by the general public in forest development through mediation by Osaka Prefectural Government between companies and forest owners.



Cutting bamboo in the Izumisano hillside green belt



Members participating in the Hannan-no-Mori Project

# Hitozukuri (Fostering People)

## CONTENTS LIST

Basic approach

Human resource development **Priority theme**

Achievement of Diversity **Priority theme**

Penetration Awareness of Compliance **Priority theme**

### Basic approach

We believe that recruiting human resources who hold diverse values and cultivating them to carry out “challenges and innovation” is a key resource for the Fuji Oil Group’s ongoing creation of value for society. We strive to create a workplace that allows highly motivated employees to play an active role in the Fuji Oil Group’s global operations and display their abilities to the fullest. This will lead to improvement in the quality of our products and services and the growth of our company. Our aim is to remain a corporate group that is trusted by society.

## Human resource development

### Basic approach

The Fuji Oil Group considers its human resources to be the key to creating value for society. We have established our Human Resources Policy based on the idea that a company and its employees support each other’s growth.

#### Human Resources Policy

1. Providing highly motivated employees with a workplace where they are encouraged to make the most of their abilities.

2. As a global company, providing a working environment where a diverse range of employees are encouraged to play an active role.
3. Establishing and operating a fair and equitable personnel system (appraisal/benefits/training).
4. Providing well-structured educational and training programs and creating a corporate culture that supports the fostering of one's skills and capabilities.
5. Supporting diversified working styles and providing a safe workplace that is comfortable to work in.

## Objective

By 2020, build the foundation of a global personnel system that identifies and cultivates human resources with the potential to play an active role globally and in each area.

## Progress (Measures to achieve the objective)

In FY 2017, we focused on development of the global human resources who will be responsible for conducting our global expansion and cultivating the managers who will play an active role at the center of management. In FY 2018, we will promote the establishment of a global personnel framework to strengthen the foundation for development of our human resources.

## Specific initiatives

### Introduction of global personnel framework

To continue contributing to society, the Fuji Oil Group will establish a framework to evaluate the implementation of the Fuji Oil Group Management Philosophy, which contains the fundamental principles shared by its employees. We plan to incorporate content tailored to the culture and customs of each region and country while reflecting our core values. As the group-wide utilization and training of human resources become increasingly important, we intend to build a global personnel system covering areas including identification, selection, training and deployment of management and capable human resources.

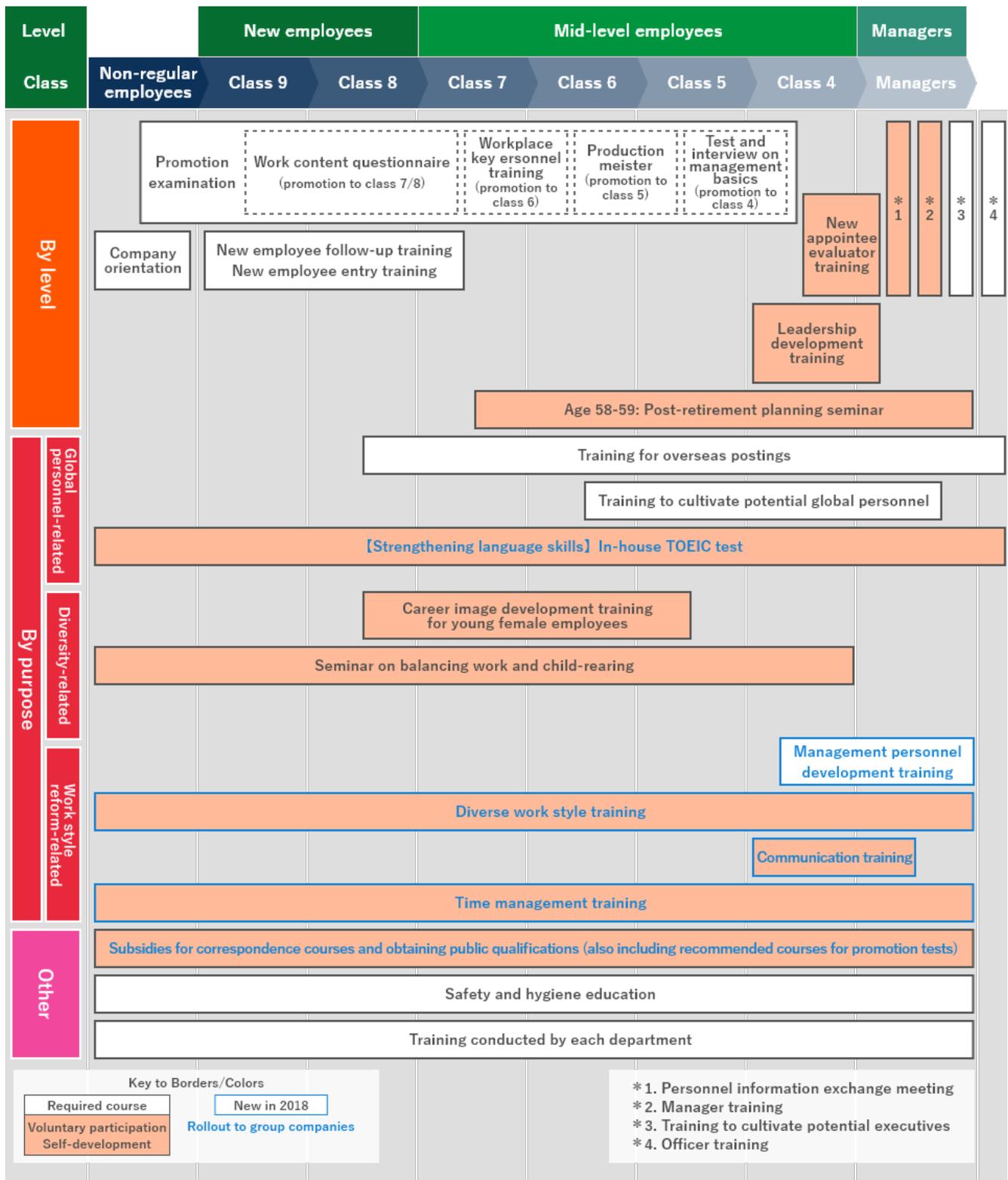
Through these activities, we aim to promote the diversity of the Fuji Oil Group.

### Career Support System

Fuji Oil Co., Ltd. provides training programs based on employee level, including for executives, managers, general employees and new hires, to help build up professional skills. We also support employees' skill development through various programs, such as dispatching employees to external seminars at their request, and providing financial assistance to employees taking correspondence courses. In addition, we have established

a forum for employees to discuss their own careers and take advantage of opportunities for success through annual interviews with supervisors based on a "Career Advancement Communication Sheet" that summarizes each employee's goals.

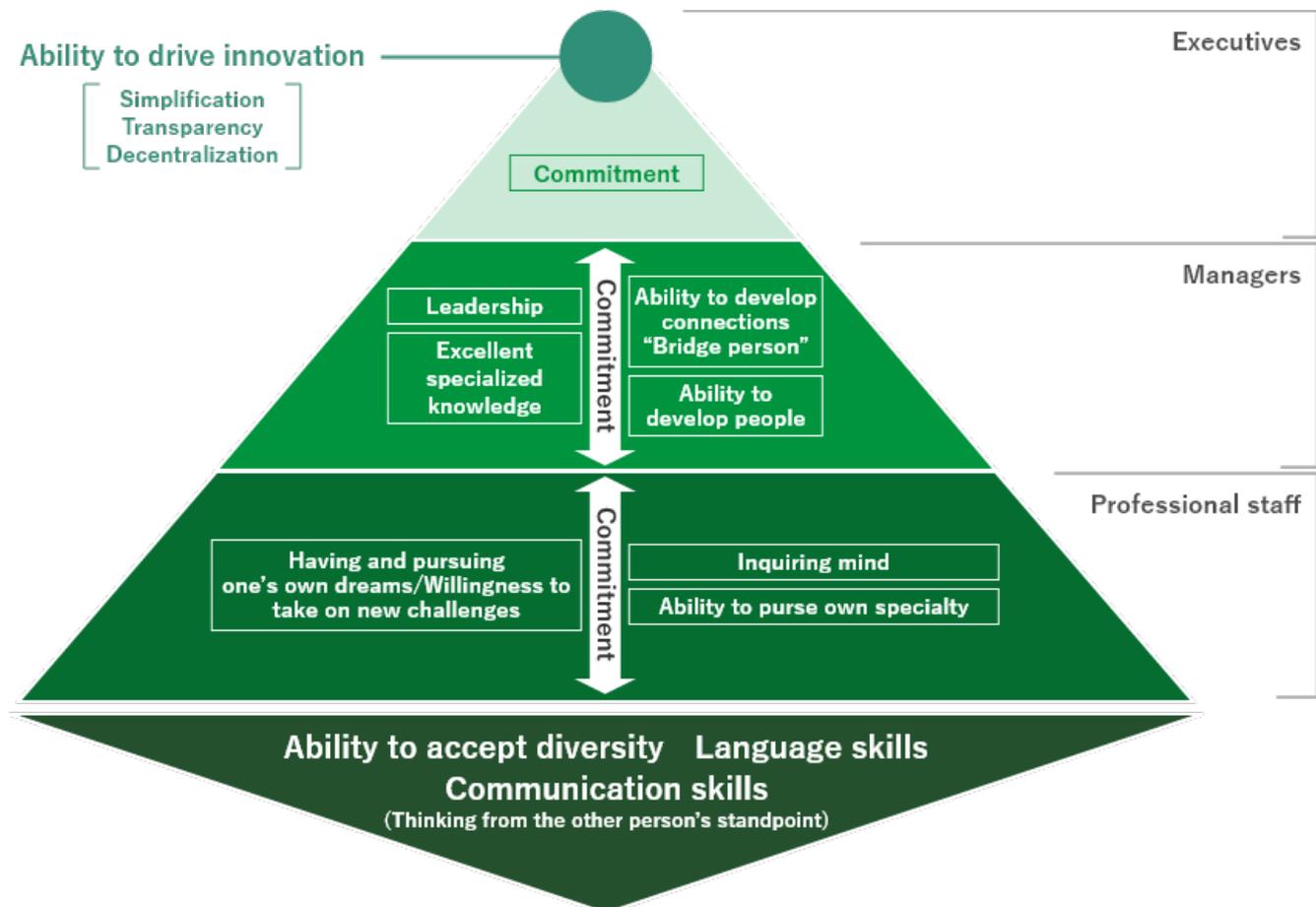
### Fuji Oil Co., Ltd. training system (FY 2017)



## Development of global human resources

The Fuji Oil Group advocates the development of global human resources in the personnel strategy of its Mid-Term Management Plan. Based on the idea that the growth of a company arises from the growth of its people, we are conducting initiatives to recruit, promote and develop human resources who can demonstrate their capabilities globally.

### Skills and abilities that the Fuji Oil Group expect its employees to have in order to be global human resources



### Training global human resources (Japan)



To cultivate global human resources who can perform consistently, whether in Japan or overseas, Fuji Oil Co., Ltd. has been conducting global human resource training as a new initiative since FY 2016. Over a period of about six months, the program provides training

in areas including global communication, MBA knowledge, leadership skills and language skills (English), and conducts presentations for executives. Thirteen people attended training in FY 2017, including staff who had worked outside Japan, those expected to do so and those working with global business partners. Linkage with career path training will lead to cultivation of global executives.

### <Comment from a participant in FY 2017 global human resource development training>

Akimasa Koshida,  
IR Team Leader and Manager,  
IR & Corporate Communication Group,  
FUJI OIL HOLDINGS INC.

By participating in the global human resources development training program, I was able to learn the essentials of communication for working globally. Communication is at the core of IR work. I use what I learned from this training in various aspects of my job, including meetings with overseas investors, who have become more proactive in recent years, and presentations inside and outside the company. I will strive to maintain and add to the know-how I gained from training through its practical application.

### Human resource development program at Harald (Brazil)

Harald, which joined the Fuji Oil Group in 2015, emphasized human resource development programs during FY 2017 to promote understanding of the Group's values and other matters. This training aimed not only to help participants achieve better results at work but also to build character. The president, executive officers, managers, and coordinators shared their expertise in human resources management to achieve better results in their respective organizations.

To understand and practice the values of the Fuji Oil Group, Harald set aside various weeks for raising awareness. All employees participated in an in-house awareness raising week on the environment and occupational safety and health, taking action to prevent accidents both inside and outside the company. During product quality week, employees gained a deeper understanding of quality management certifications such as GMP, HACCP, and FSSC22000 in order to improve product quality. The company also conducted educational activities on operation and techniques to help employees use methodologies and analysis to quickly resolve problems in the course of their work.

These human resource development programs are helping Harald improve employee knowledge to promote new initiatives.

### **Leadership development training**

To strengthen the pool of assistant managers and future managers, Fuji Oil Co., Ltd. began conducting leadership development training in FY 2016, and 57 people took the course in FY 2017. Through this training, attendees came to recognize the approaches a leader should take and to objectively understand their own current situation and issues. In addition to the group workshops and seminars, supervisors are closely involved from post-training feedback interviews and creation of on-the-job training plans to reviews, which leads to steady growth. In addition, the detailed understanding of the potential of our human resources that we gain will be useful in future talent management, such as for dispatching the right person to the right job and long-term career development.

### **Personnel system reform**

To survive fierce global competition, Fuji Oil Co., Ltd. has been conducting reforms of its personnel system since FY 2015. The reform is based on three pillars: salary system reform, personnel evaluation system reform, and promotion of human resource development.

## <Progress of personnel system reforms>

Fiscal year	Item implemented	Details
FY 2015	Management Personnel system reform	Salary system reform (introduction of pay based on job classification) Evaluation system reform (clarification of responsibility for results) Human resource development promotion (multifaceted evaluation)
FY 2016	Union members Promotion screening process reform	Systematic implementation as an opportunity for education, development and self-improvement
FY 2017	Expansion of flextime system	Elimination of reasons for use
FY 2018 (scheduled)	Union members Personnel system reform	Salary system reform (abolition of age-linked wages / allocation according to results / adjustment of allowances to fit individual circumstances)

## Employee attitude surveys

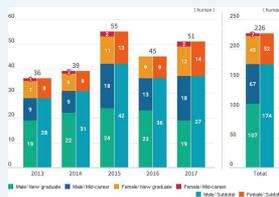
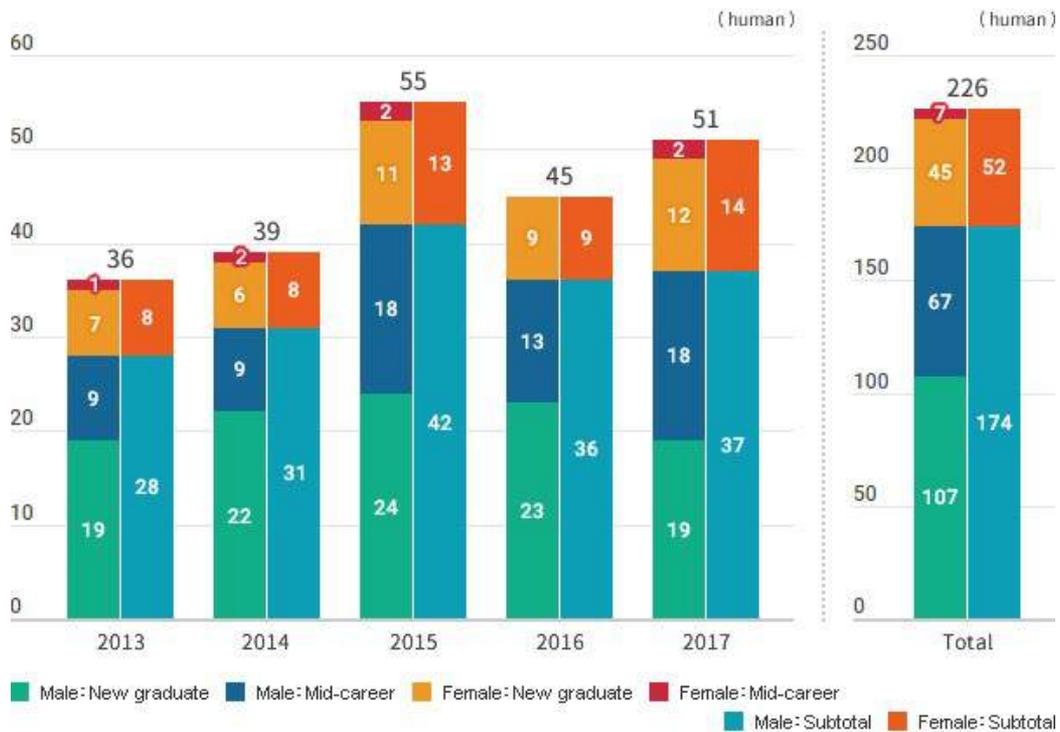
The Fuji Oil Group regularly conducts employee attitude surveys in Japan to help create a workplace where employees can work with vigor and in good health. The frank opinions collected from a wide range of perspectives on the workplace environment, systems and other matters are useful as a reference for various measures.

## Data

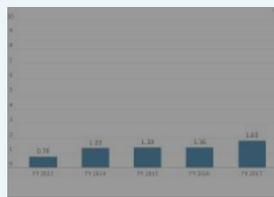
### Expenses for development of human resources

Total training expenses in FY 2017 (approximate)	Approximately ¥35,200,000
Training expenses per employee	Approximately ¥24,110

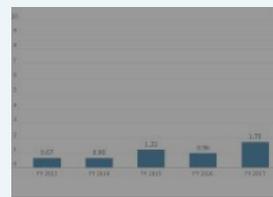
## Number of new hires



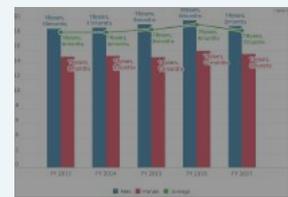
Number of new hires



Total turnover rate for regular employees



Voluntary turnover rate for regular employees



Average years of continuous employment

Note: Figures for 2015 and thereafter are the total for FUJI OIL HOLDINGSINC. and Fuji Oil Co., Ltd. Figures for 2013 and 2014 are for Fuji Oil Co., Ltd. before the shift to a holding company structure.

## Achievement of Diversity

### Basic approach

Amid constant changes in the values of society, the Fuji Oil Group must understand those changes and provide value that helps to resolve social issues in order to continue to fulfill its

corporate social responsibilities as a food manufacturer. The ability of diverse human resources to display their values and individuality will be a key resource in this regard.

### **Fuji Oil Basic Diversity Policy**

We will accelerate the creation and delivery of new value to society by seeking talented individuals from diverse backgrounds and fostering a corporate culture where everyone can demonstrate their abilities to the fullest.

1. Pay attention to diversity in personnel composition at all stages of employment, including recruitment, training and job assignment/promotion.
2. Implement flexible personnel systems so that diverse human resources can fully demonstrate their abilities.
3. Use diverse human resources in a strategic manner, thereby contributing to society and the growth of the company.

## **Objectives**

- Ratio of women in managerial positions of 20% by 2020 (Japan)
- Establishment by 2020 of an environment in which diverse employees, including older and disabled employees, can work with vigor (Japan)

## **Progress**

We promoted the creation of a system to facilitate diverse ways of working including the expansion of the flextime system and introduction of a work-at-home system. To facilitate communication and capitalize on diverse values, we created rules for meetings based on survey results and reorganized the company intranet.

## **Specific initiatives**

### **Support for active participation**

#### **Support for the active participation of women**

To continue contributing to society through business activities as a food manufacturer, it is important for the Fuji Oil Group to stay up to date with social changes. We are focusing on supporting the active participation of our female employees so they can fully demonstrate their sensibilities and capabilities, which will be indispensable for that purpose.

As of April 2018, the ratio of women in managerial positions in Fuji Oil Co., Ltd. in Japan is 8.24%,\* and we are striving to provide opportunities and nurturing with a target of over 20% by FY 2020. Furthermore, Hiroshi Shimizu, President and CEO of FUJI OIL HOLDINGS

INC., endorsed the "Declaration on Action by a Group of Male Leaders Who Will Create a Society in Which Women Shine\*\*」 (logo shown to right). We will accelerate our activities to encourage active roles for women in the workplace.

\* Scope of total: FUJI OIL HOLDINGS INC. + Fuji Oil Co., Ltd. – Employees temporarily transferred overseas

### **\*\* A Group of Male Leaders Who Will Create a Society in Which Women Shine**



Support for the  
"Declaration on Action  
by a Group of Male Leaders  
Who Will Create a Society  
in Which Women Shine"

Following the kick-off meeting for "Supporting Women to Shine" held on March 28, 2014 at the office of the Prime Minister, there has been a nationwide movement by leaders in various industries to support women who will and do shine in various fields. In conjunction with this, male leaders of the companies that had been actively promoting the empowerment of women announced the "Declaration on Action by a Group of Male Leaders Who Will Create a Society in Which Women Shine."

### **Hiring of regional limited employees and regular employees**

From FY 2017, Fuji Oil Co., Ltd. changed the status of its "semi-regular employees," who had fixed-term employment contracts, to "regional limited employees" without a fixed term. Moreover, the Group conducts a test once a year for highly motivated non-regular employees wishing to become regular employees. In FY 2017, four non-regular employees passed the test and were promoted to regular employees. We will continue to actively promote talented and highly motivated individuals to regular employees through this system.

## **Support for the active participation of older workers**

Fuji Oil Co., Ltd. has set its retirement age at 60, but has a reemployment system in place for older workers that allows employees to extend their employment to the maximum legislated retirement age of 65. Individual interviews are held one year before retirement and at the time of retirement to offer job assignments according to each person's motivation and abilities. In addition, since FY 2016 we have conducted a "Life Plan Seminar" for employees in their late fifties to consider their post-retirement life plans. The seminar provides an opportunity for participants to achieve self-fulfillment at a relatively early stage by drawing a concrete picture of their work-life balance after retirement.

## **Strategic employment of foreign nationals**

Fuji Oil Co., Ltd. recruits people of various nationalities whose skills and capabilities meet its business needs. Non-Japanese employees are working in various fields such as research and development, planning and administration. In addition to plans to hire new graduates from Thailand and China during FY 2018, we are promoting the appointment of qualified local staff to senior executive positions in group companies outside Japan.

## **Support for the active participation of disabled people**

For many years, Fuji Oil Co., Ltd. has consistently promoted the employment of people with disabilities. Efforts have included steadily raising awareness in-house and increasing opportunities for participation while considering the characteristics of each individual.

## **Reform of working styles**

## **Support for active career development**

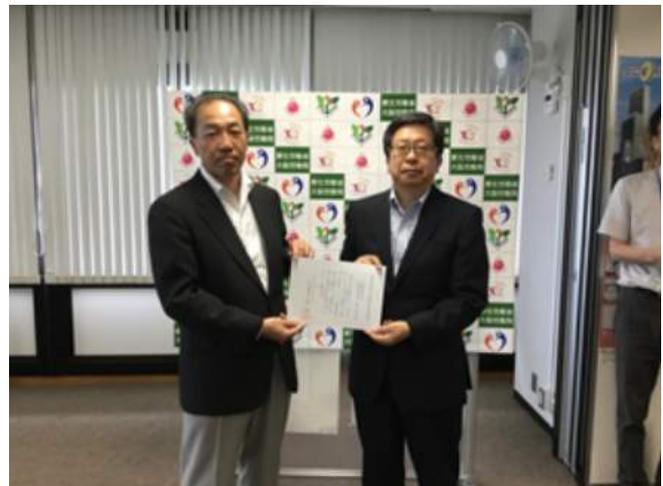
## Support for active career development

### Programs

During pregnancy	<ul style="list-style-type: none"> <li>• Interview prior to childcare leave (with HR staff, supervisor and leave-taker)</li> <li>• Consultation services during pregnancy (poor physical condition, etc.)</li> </ul>
During childcare leave	<ul style="list-style-type: none"> <li>• Guaranteed bonus (20%)</li> <li>• Extension of childcare leave (until the end of April in the child's second year)</li> <li>• Information sharing through company-provided iPad</li> <li>• Child-rearing concierge service (including support for finding a nursery school)</li> <li>• Interview prior to returning to work (Confirmation of working style after returning to work, using the communication sheet)</li> </ul>
After returning to work	<ul style="list-style-type: none"> <li>• Shortened working hours (until the child enters the first year of elementary school)</li> <li>• Follow-up exchange meeting for employees returning to work after childcare leave, with the participation of supervisors</li> <li>• Subsidy for babysitter and childcare support service expenses</li> <li>• Work-at-home system</li> <li>• Temporary leave for accompanying spouse on overseas assignment</li> <li>• Comeback Entry Program (Rehiring system)</li> </ul>

## External Evaluation

As an evaluation of the initiatives described above, Fuji Oil Co., Ltd. has been awarded "the Platinum Kurumin Mark", a certification with even higher requirements than the Kurumin Mark.



Receiving "the Platinum Kurumin Mark"

## Dialogue between Labor and Management

Fuji Oil Co., Ltd. recognizes the importance of dialogue between labor and management and, as such, has focused on building a relationship of mutual trust.

The management and the labor union actively discuss labor issues, holding an informal central labor-management session every month where both parties exchange information on the company's business conditions and its business policy. Furthermore, the management and the labor union hold labor-management consultation sessions to discuss the promotion of employees, bonus payments and a review of in-house rules, when necessary, in line with the labor contract. Both parties will enter into negotiations and discussions on these matters after fully sharing information on the company's earnings position, business trends, various management-related issues and social trends. With increasing globalization of business, accelerating population aging, and growing emphasis on work-life balance, it is increasingly necessary to promote diversity. We will therefore work to establish a personnel system that supports diversity.

## Data

### Use of various programs

#### Number of program users by gender (Fuji Oil Co., Ltd. + FUJI OIL HOLDINGS INC.)

(Employees)

	Male	Female	Total
<b>Number of employees who took childcare leave in FY 2017 (including pre- and post-partum leave)</b>	28	28	56
<b>(including pre- and post-partum leave) (for childcare)</b>	0	18	18
<b>Number of employees who took nursing care leave in FY 2017</b>	1	2	3
<b>Three-year retention rate of employees who took childcare leave in FY 2014*</b>	100.0%	80.0%	88.9%

Note: FY 2017 retention rate of employees who took childcare leave in FY 2014

#### Percentage of annual paid vacation days taken (FY 2017: Fuji Oil Co., Ltd. + FUJI OIL HOLDINGS INC.)

<b>Percentage of annual paid vacation days taken</b>	59.3%
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## Employee Data

### Number of the Fuji Oil Group employees by region

(as of March 31, 2018 for Group companies in Japan and December 31, 2017 for Group companies outside Japan)

(Employees)

	Japan	Europe and America	Asia	Total (Consolidated)
<b>Total</b>	1,855	874	2,308	5,037
<b>Male</b>	1,501	702	1,717	3,920
<b>Female</b>	354	172	591	1,117

### FUJI OIL HOLDINGS INC. Breakdown of employee (as of March 31, 2018)

(Employees)

	Male	Female	Total
<b>Regular employees*/temporary employees</b>	103	29	132
<b>Regional limited employees</b>		1	1
<b>Contract employees</b>	0	0	0
<b>Average age (of employees)</b>	47 years, 8 months	37 years, 2 months	45 years, 1 month

Note: Includes executive officers

**Fuji Oil Co., Ltd. Breakdown of employees** (as of March 31, 2018)

(Employees)

	Male	Female	Total
<b>Regular employees*/temporary employees</b>	906	176	1,082
<b>Regional limited employees</b>	105	52	157
<b>Contract employees</b>	59	29	88
<b>Average age (of employees)</b>	43 years, 5 months	39 years, 2 months	42 years, 8 months

Note: Includes executive officers

**Number of the Fuji Oil Group managers**

(as of March 31, 2018 for Group companies in Japan and December 31, 2017 for Group companies outside Japan)

(Employees)

	Japan	Asia	Europe and America
<b>Male</b>	348	176	70
<b>Female</b>	28	58	19
<b>Total</b>	376	234	89

**Number of FUJI OIL HOLDINGS INC. Officers** (as of March 31, 2018)

(Employees)

<b>Male</b>	11
<b>Female</b>	1
<b>Total</b>	12

## Rehiring (FY 2017 / Fuji Oil Co., Ltd. + FUJI OIL HOLDINGS INC.)

People rehired	17
Rehiring rate	77.3%

## Recruitment of disabled people (FY 2017 monthly average / Fuji Oil Co., Ltd. + FUJI OIL HOLDINGS INC.)

Disabled people recruited	28.6
Recruitment rate for disabled people	1.81%

## Penetration Awareness of Compliance

### Basic approach

The Fuji Oil Group complies with laws and regulations, as well as internal policies and rules, as a matter of course, and views acting with a strong sense of ethics in daily business operations as crucial to meeting the expectations and needs of society (i.e. stakeholders). This basic concept of compliance is included in the Fuji Oil Group Management Philosophy, which we formulated when the Group shifted to a holding company structure in October 2015.

### Promotion System

#### Persons and organizations in charge

The ESG Committee has been voluntarily established as an advisory body of the Board of Directors. As of April 2018, the committee consists of the Solutions through Creation of Foods Subcommittee, the Safety, Quality and Environment Subcommittee, the Human Resources Development Subcommittee, the Sustainable Procurement Subcommittee, and the Governance Subcommittee. Compliance promotion issues are raised at the Human Resources Development Subcommittee and reported to the Board of Directors and top management.

#### Establishment of a hotline system

In Japan, The Fuji Oil Group's Whistleblower Hotlines have been set up, in which compliance-related issues of employees of FUJI OIL HOLDINGS INC., its group companies, and some subcontracting companies in Japan are addressed by internal staff members or external parties (lawyers). A hotline system for employees at group companies outside Japan (The Fuji Oil Group's Compliance Helpline) is also available.

To create an environment that facilitates reporting, our hotline system includes a Whistleblower Hotline outsourced to an external law firm to ensure the confidentiality and anonymity of informants. Approximately 10 reports are received annually from the entire Group. We promptly investigate the details of the reports, make necessary corrective measures and provide feedback to the informant. We are striving to make our hotline system more widely known throughout the entire Group.

## Monitoring compliance systems

In cooperation with Audit & Supervisory Board members and departments responsible for internal audits, we monitor the status of compliance implementation, including at overseas group companies. From FY 2018, we will visit overseas group companies and begin on-site inspection activities using a compliance checklist (prepared in consideration of laws, regulations and risks specific to the region).

## Objectives

By 2020, we aim for the penetration of the values and principles of the Fuji Oil Group Management Philosophy throughout the entire Group.

## Progress

In FY 2017, we were involved in various activities aimed at contributing to spreading and raising the awareness of compliance. The following are representative examples of the measures implemented.

- Group training about important laws and regulations and compliance was conducted at individual group companies inside and outside Japan.
- Teaching materials were created to make the Fuji Oil Group's basic approaches, systems and rules well-known at overseas group
- Activities were conducted to inform employees about the hotline system (The Fuji Oil Group's Compliance Helpline) for group companies outside Japan and to promote its use.
- Information was provided on an ongoing basis to employees throughout the Group on the compliance intranet portal site, the contents of which were updated periodically (monthly).
- A compliance awareness survey was conducted at group companies outside Japan.

## Specific initiatives

### A framework for thorough compliance

#### Business Conduct Guidelines

We revised the Fuji Oil Group Business Conduct Guidelines, which explain our principles of action in the Fuji Oil Group Management Philosophy using representative case studies encountered in various daily duties, and are successively distributing them to all employees in booklet and PDF form. The guidelines are available in seven languages, including Japanese.

#### Compliance training

We visit some domestic and overseas bases to acquire an understanding of the on-site situation and needs while raising awareness of areas of compliance that require attention. In addition, we conduct compliance training in cooperation with the Human Resources Department for all employees, including new employees and those seconded overseas, at their career milestones. From FY 2018, we will step up educational activities at overseas group companies and work on developing e-learning programs (in Japanese, English, and Chinese) for domestic and overseas employees.

## Prevention of corruption

### Basic approach

We focus on educational activities to prevent bribery as a key area of compliance for fair transactions in addition to compliance with antitrust laws.

### Anti-corruption countermeasures

The Fuji Oil Group focuses on raising awareness in regions where the risk of corruption is high. For example, in FY 2017 we conducted educational activities at group companies in China. Through dialogue with local staff as well as group training, we strive to be conscientious and convincing in conveying the importance of compliance in this area and the magnitude of losses in the event of a violation.

### Political contributions

The Fuji Oil Group does not make political donations.

**Sustainability**

# Health Management

**CONTENTS LIST**

- [▾ Basic approach](#)
- [▾ Promoting Occupational Safety and Health Priority theme](#)
- [▾ Maintenance and Promotion Employee Health Priority theme](#)

**Basic approach**

In the Fuji Oil Group Management Philosophy, we set forth our Vision of contributing to society by offering delicious and healthy foods. The health of each employee is the foundation of value creation for the Fuji Oil Group, which aims to contribute to society in the field of health. We strive to ensure occupational safety thoroughly and health and to maintain and improve employee health so that our employees can work with vigor, both physically and mentally.

## Promoting Occupational Safety and Health

**Basic approach**

The Fuji Oil Group Management Philosophy places "safety, quality and the environment" as the first of its values, and among them, "safety" is the issue we must give the highest priority for our continuing growth. In the area of safety and health, the Fuji Oil Group established its Health Management Declaration in January 2017 upon setting the following six items of its Basic Policy of Safety and Health. We are aiming for zero lost-time injuries for all our employees and workers at our businesses sites under the slogan,

"Let's create a safe workplace together by observing the rules and sharing our experience."

### **Basic Policy of Safety and Health**

1. The base of our thought is the dignity of human life.
2. The base of our safety activities is the participation by all our officers and employees.
3. Every manager has a responsibility of safety control.
4. Good physical and mental health makes you a safer worker.
5. Making our workplace safe.
6. Becoming aware of and avoiding safety risks.

## **Promotion system**

### **Promotion system**

The position of Chief Quality Officer (CQO), with responsibility for improving safety, quality and environmental levels from a global perspective, was newly established at FUJI OIL HOLDINGS INC.. Under the CQO, the company's Production Productivity Management Group collaborates with the Fuji Oil Group's regional headquarters and regional representative as well as group companies under their jurisdiction to evaluate each production base through occupational safety and health audits in line with the principles set forth in the Fuji Oil Group Management Philosophy. In doing so, it works to eliminate accidents and raise the level of management.

### **Educational and awareness-raising activities**

Recognizing the prevention of labor accidents at manufacturing sites as one of its most important responsibilities, the Fuji Oil Group implements various measures. Our measures to reduce labor accidents include the following: conducting surveys to identify dangerous operations and situations that can lead to accidents, promotion of the PDCA cycle for risk management, and daily "hiyari-hatto (near-miss events)" activities.

As a preventive measure against human error at our sites in Japan, in March 2016 we started "Yubisashi Kosho (pointing and calling) Promotion 2017 Activities" under the slogans "Call and point" and "Point once for each operation." We are currently working to establish the practice of "pause and confirm," which is the basis of occupational safety.

At sites outside Japan, the entire Group is working together to prevent labor accidents by conducting various safety activities including safety meetings. At FY 2017 safety meetings, we discussed the status of occurrence of labor accidents in FY 2016 and countermeasures.



Meeting at a group company outside Japan to explain the Group's safety management system



Assembly at a business site

### Highlights: Employee Incentives

In FY 2016, we established a new management award category to recognize departments and group companies that have made excellent efforts in the fields of “food safety, security, and quality,” “the environment” and “occupational safety and health.” In FY 2017, one site in Japan received the grand prize and two overseas sites received runner-up awards in recognition of their environmental performance and for having no labor accidents during FY 2016.

### Objective

Continue to prevent all serious accidents at all group companies

### Progress

The Fuji Oil Group works to reduce labor accidents by collecting and analyzing data on the conditions that led to labor accidents at group companies in Japan and overseas, and providing feedback to the group companies.

In FY 2017, the number of labor accidents at group companies in Japan totaled 23. This was a decrease of four from the previous year, although the number of lost-

time injuries increased by one. The majority of labor accidents involved lower back pain, burns and bruises. The number of labor accidents at group companies outside Japan in FY 2017 was 54, a decrease of 15 from the previous year, and lost-time injuries decreased by 8. However, they included a serious accident that involved being caught in automated packaging equipment and an accident caused by coming in contact with an operating machine, as well as burns and falls. We will continue to focus on preventing the occurrence of labor accidents by ensuring that all workers exercise proper safety precautions and follow the specified procedures while working with machinery.

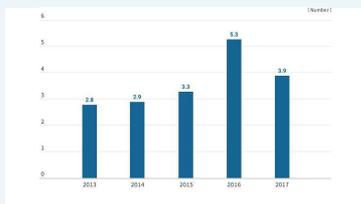
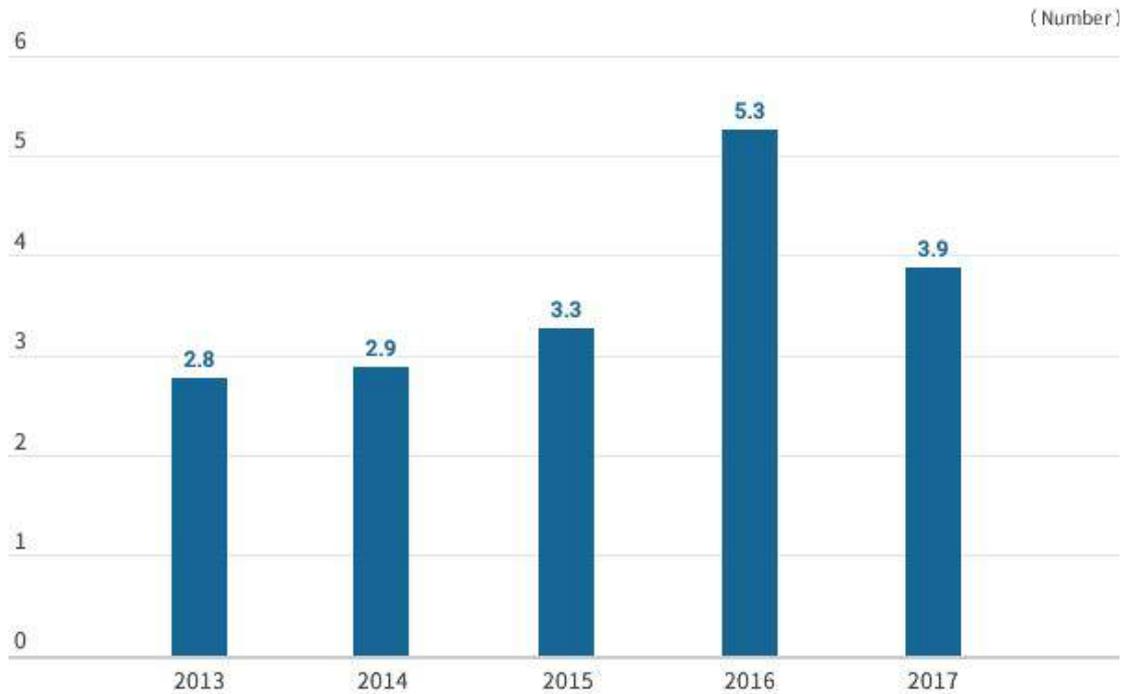
## **Data**

These data show the number per thousand workers, frequency rate, and severity rate of labor accidents for employees of the Fuji Oil Group.

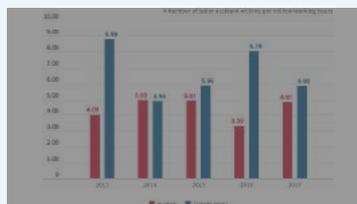
Because the number of labor accidents decreased at group companies inside and outside Japan, both the annual rate per thousand workers and the frequency rate declined year on year. However, due to a serious accident at a group company outside Japan that involved being caught in automated packaging equipment, the severity rate increased sharply from the previous year.

## Labor accidents

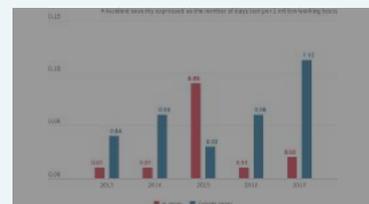
### Fuji Oil Group Number of Lost-Time Injuries per Thousand Employees (4 Days or More)



Fuji Oil Group Number of Lost-Time Injuries per Thousand Employees (4 Days or More)



Fuji Oil Group Frequency Rate of Labor Accidents\*



Fuji Oil Group Severity Rate of Labor Accidents\*

## Status of acquisition of management certifications

### Status of acquisition of OHSAS18001 certification (as of March 2018)

Woodlands Sunny Foods Pte. Ltd. (Singapore)

Pt. Freyabadi Indotama (Indonesia)

PT. Musim Mas-Fuji (Indonesia)

## Maintainance and Promotion Employee Health

### Basic approach

In January 2017, we announced the Fuji Oil Group Health Management Declaration, which states that we will proactively engage ourselves in health management. Based on this declaration, we have set "contributing to society by creating the future of delicious and healthy foods" and "ensuring the health and happiness of Fuji Oil Group employees" as the objectives of our Mid-Term Management Plan. We will continue to take actions to support our employees in maintaining and improving their health in such areas as prevention of lifestyle-related illness and mental health problems.

### Fuji Oil Group Health Management Declaration

In Fuji Oil Group's Management Philosophy, we set forth our Vision: "We seek to contribute to the society by creating the future of delicious and healthy foods using our core technologies in oils & fats and soy."

Health is important not only for the happiness of our employees and their families but also to raise the strength of our Group. So here, Fuji Oil Group declares that we proactively engage ourselves in Health Management.

The highest priority in Health Management is the health and happiness of our employees. If our employees can enjoy their lives and work actively, it will lead to the enhancement of our corporate value. In Health Management the most important thing is individual awareness of health. In other words, we need to take care of our own health by ourselves. We all will keep 'health' in mind, and will work "ethically, righteously, positively and vigorously." We can then work for people, solve their problems, and drive forward our contribution to the society.

As part of Health Management, we take actions to support our employees to sustain and

improve their health. Specifically, we shall implement initiatives in such areas as prevention of lifestyle-related illness and mental health problems, and also activities to promote physical strength.

1st of January, 2017

FUJI OIL HOLDINGS INC.

President and CEO Hiroshi Shimizu

## **Promotion system**

We established a Health Management Promotion Office in the HR Division of Fuji Oil Co., Ltd., to work on plans for various measures and improvements to health-related issues. We have also established a health support system consisting of occupational physicians, public health nurses, nurses, occupational health counselors and other experts. The progress of health management and related issues are discussed as themes by the Human Resources Development Subcommittee of the ESG Committee, an advisory body of the Company's Board of Directors, and reported by the ESG Committee to the Board of Directors.

## **Educational and awareness-raising activities**

In FY 2017, we introduced health measurement instruments (for blood pressure, body composition and activity level) on a trial basis for employees to manage their own health. A questionnaire after the trial introduction made it clear that these mechanisms to measure and manage health (habitual self-monitoring and self-management) improved employee awareness of their own health. We also intend to enhance health guidance by creating unified management through a health management system (for visualization of health management). As educational measures, we will encourage greater awareness among employees of managing their own health through their participation as lecturers in food education activities (food education project) and planning and implementation of physical fitness promotion events.

## **Objectives**

We have established the following objectives for 2020.

- Improve health awareness among employees and actively conduct health promotion measures.
- Establish a system to enable visualization of employee health condition.

- Reduce the incidence of lifestyle-related diseases among employees and the number of employees with mental health issues.
- Roll out measures to group companies in Japan and overseas.

## Progress

- Established promotion system (enhanced health guidance and health management promotion system)
- 100% of employees received health examinations and secondary examination rate improved
- Implemented stress checks and encouraged all Fuji Oil Co., Ltd. employees to receive counseling
- Reformed employee awareness of health (trial introduction of health measurement system)
- Developed delicious and healthy company cafeteria menus (using Fuji Oil Co., Ltd.'s soy products)
- Recognized in the large enterprise category (White 500) of the Certified Health and Productivity Management Organization Recognition Program (recognized in February 2018)

## Specific initiatives

### Measures to Protect Employees

We conduct various regular health examinations. In FY 2017, the rate of employees at Fuji Oil Co., Ltd. who received health examinations was 100% (95.9% for secondary examinations).

To help prevent mental health problems, in addition to conducting stress checks we recommend counseling for all employees. In FY 2017, 91.4% of employees took stress checks.

In the future, we intend to enable visualization of the physical and mental health of our employees through the introduction of a health management system, and will roll out measures to group companies in Japan and overseas by conducting surveys on health management status and health consciousness.

## **Highlights: Results of stress check implementation**

Stress checks are useful for improving workplaces. In FY 2017, we created workplace improvement plans and conducted follow-up training for high-risk workplaces based on the results of stress checks.

## **Changing Attitudes about One's Own Health**

We intend to raise awareness of health by establishing the habit of self-monitoring and self-management (awareness of one's own health condition and of managing one's own health) using a health measurement system and enabling visualization of health condition using a health management system.

## **Measures and Education for Improving Eating Habits and Activities to Promote Physical Fitness**

In addition to planning lectures on improving eating habits (food education) and training for supervisor-provided care and self-care to prevent mental illness, we promote the provision of delicious and healthy menus that proactively incorporate Fuji Oil Co., Ltd.'s soy and other products at company cafeterias in Japan. As measures to promote physical fitness, we will plan and carry out events such as walking and yoga classes at each business site.

## **External Recognition: Certified as an Excellent Enterprise of Health and Productivity Management (White 500)**

In February 2018, FUJI OIL HOLDINGS INC. was certified as an Excellent Enterprise of Health and Productivity Management 2018 (White 500) under the Excellent Enterprise of Health and Productivity Management certification system conducted by Japan's Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. By continuing to promote health management throughout the Group, we will strive to earn a positive evaluation and trust from stakeholders.

## Health Examinations

Fuji Oil Co., Ltd.			Total of business sites in Japan	
			2017	
			(Employees)	(%)
Rates of employees receiving examinations and anomaly observation	(Total)	Number of employees eligible to receive health examinations	1,307	—
	(Total)	Number of examinees	1,307	100.0
	(Total)	Number of employees with observed anomalies	1,107	84.7
Secondary health examination/Treatment required		Number of employees subject to second health examination/Treatment required	582	44.5
		Not examined /Not reported	24	4.1

## Working hours

	Work record data for FY 2017	
<b>Working hours per employee</b>	159.8	Hours/Month
<b>Average monthly overtime per employee</b>	15.1	Hours/Month

## 3. Rate of absence due to illness

<b>Rate of absence due to illness*</b>	1.27	%
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\* Includes only employees taking time off or leave for injury or illness.

# Risk Management

## CONTENTS LIST

- ▶ **Effective Risk Management** Priority theme
- ▶ **Creation of a Corporate Governance System** Priority theme

## Effective Risk Management

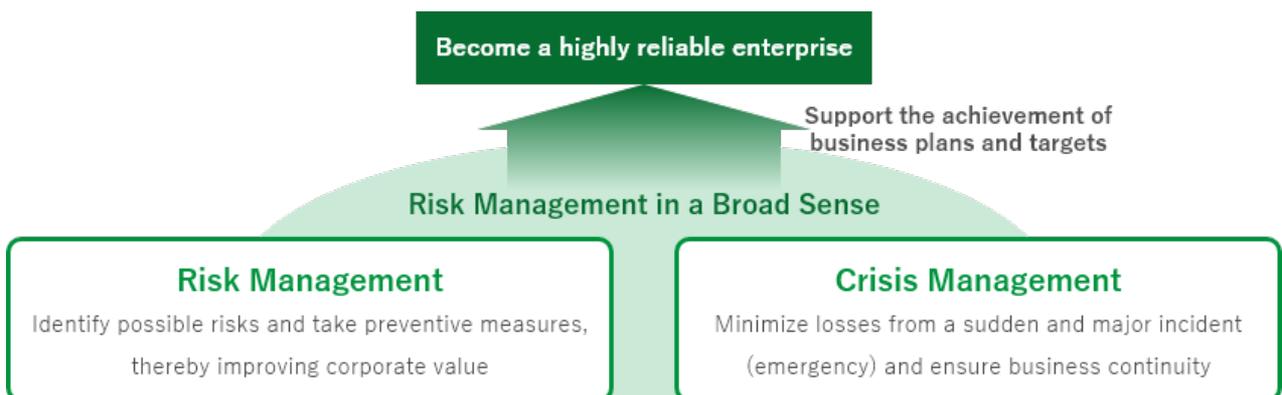
### Effective Risk Management

#### Basic approach

For the Fuji Oil Group, Risk Management\* is intrinsic to implementation of its management strategies. In order to continue to contribute to society through food, we consider Risk Management to be indispensable from the perspective of business continuity, conforming to laws and responding to the expectations and demands of society, including our shareholders and investors. By promoting Risk Management, we aim to become a highly reliable enterprise that earns the trust of society.

\* Risk Management: Preventing the occurrence of risks related to corporate management and minimizing losses and impact when risks occur, to achieve business plans and targets

#### Positioning of Risk Management in the Fuji Oil Group



## Promotion System

### Promotion System

The parties at FUJI OIL HOLDINGS INC. responsible for Risk Management are the Chief Financial Officer (CFO) and the Governance Subcommittee of the ESG Committee, which is an advisory body of the Board of Directors.

Reports and studies regarding Risk Management are conducted by the ESG Committee. The status of Risk Management in the Fuji Oil Group is regularly reported to the Board of Directors via the ESG Committee to promote Risk Management with the involvement of management.

### Education and awareness-raising activities

We conduct education and awareness-raising activities related to Risk Management through regular visits to group companies, video conferences and other measures, and are working to establish and improve their risk management PDCA activities. In addition, we provide education regarding the fundamentals of risk management and the risk management system of the Fuji Oil Group in pre-assignment training for employees who will be newly posted overseas.

#### Highlights: Incentives for Employees

As of 2016, we have established a CSR category in our management awards program to recognize departments and group companies that have made excellent efforts to contribute to society through their business activities. In this category, we present awards to group companies and departments that have fulfilled their social responsibilities by effectively conducting risk management.

## Objectives

- By 2020, each group company should independently and autonomously go through the PDCA cycle for Risk Management and each function of FUJI OIL HOLDINGS INC. should provide comprehensive support for optimal response to risks by each group company, based on the holding company structure.
- By 2020, main group companies should complete formulation of BCP.

## Progress

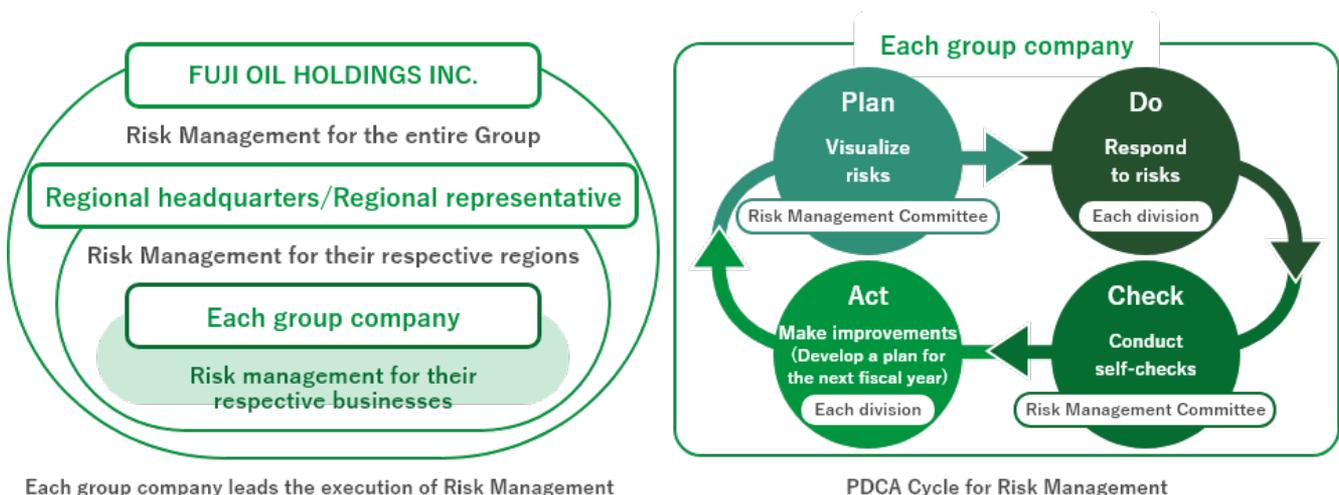
- Held a semiannual Risk Management PDCA meeting with each group company and improved the quality of their risk assessment results
- Provided Risk Management Committees at each group company with information on environmental (climate change) risk, human rights risk and region-specific risks
- Conducted safety confirmation drills and other activities at business sites in Japan to strengthen response capabilities in emergency situations (such as large-scale disasters)

## The Fuji Oil Group's Risk Management System

### PDCA

Our group has been working to establish a global Risk Management system appropriate for the holding company structure to which we shifted in October 2015. Specifically, we have defined the respective roles of the holding company, regional headquarters/regional representative and each group company, and established a Risk Management Committee at each company. Each Risk Management Committee plays a leading role in the annual implementation of the PDCA cycle: Plan (identify all possible risks and select major risks) → Do (implement countermeasures) → Check (conduct checks) → Act (take action for improvement toward the next fiscal year). We are promoting risk management through close collaboration among the holding company, regional headquarters/regional representative and each group company. In the event of an emergency, an Emergency Headquarters will be established within the Risk Management Committee, which promotes risk management activities in ordinary times, so that the entire Group can respond to an emergency quickly and appropriately.

### The Fuji Oil Group's Risk Management



### Risk assessment method

The Risk Management Committee of each group company takes the central role in identifying as many of its own company's risks as possible and assessing them by plotting them on a risk map (vertical axis: degree of damage/impact on the company; horizontal axis: possibility of occurrence). As a result of the assessment, the Committee specifies risks that would have a significant degree of damage/impact on its company as "significant risks" and decides how to respond to all "significant risks." Through this process, each company conducts risk management that makes clear which risks it should manage on a priority basis and works to prevent risks, minimize loss when risks occur, and maintain business continuity.

### Specific risk countermeasures

### Climate Change Risk

For details, see the “Climate Change Risk” section of the “Environment” page of our website.

▶ <https://www.fujioilholdings.com/en/csr/environment/climate/>

## Business Continuity Plan (BCP)

### Basic approach

The Fuji Oil Group Management Philosophy sets forth our Vision to “contribute to society by creating the future of delicious and healthy foods” and our Value to “work for people.” Business continuity is a prerequisite for achieving these goals, and we believe that a business continuity plan (BCP) is indispensable for that purpose. We will promote our BCP under the following basic policies to ensure employee safety and minimize damage to business assets in order to enable the continuation or early restoration of core businesses.

1. Give priority to the lives of employees and visitors.
2. Prevent secondary disasters and do not inconvenience local communities.
3. Fulfill our responsibility as a company to supply products.

### Initiatives

#### Revision of BCP based on the scenario of a major disaster

Fuji Oil Co., Ltd. is revising and restructuring the BCP formulated in 2012 to make it more effective. The revisions are scheduled for completion in FY 2018.

#### Ensuring information system continuity in the event of a natural disaster (ICT-BCP)

In the event of a natural disaster or other incident, information systems are the foundation of business continuity. The Fuji Oil Group has installed its core systems and other systems for important operations at a secure data center. In addition, assuming a scenario of damage to the data center, we have secured operating system continuity with the construction of a DR site\* at a remote location. As a result, even if the data center is affected, operations can resume at the DR site within a few hours to half a day. Moreover, we are preparing for prompt response in the event of a disaster by conducting DR site switchover exercises once a year.

See “Sustainable Procurement” for our response to procurement risks due to climate change or large-scale disasters.

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

\* DR site: Disaster Recovery site

## Information security

### Basic approach

To ensure information security, the Fuji Oil Group is working to raise its security level in terms of both rules and technology. Regarding rules, we formulated Information Management Basic Regulations and Information Security Regulations as group policies. We will continue employee education to ensure the regulations are thoroughly known by all. Regarding technology, we are taking multilayered measures including mechanisms to prevent unauthorized access from outside the Group’s information systems and to protect against computer viruses. We will continue to verify the information security level.

## Information security management system

In response to threats to information security, the Fuji Oil Group has established an information security management system under the Governance Subcommittee of the ESG Committee, which is an advisory body of the Board of Directors. For information security management, we have a CSIRT (Computer Security Incident Response Team) and deployed a person in charge of information security to promote faster response in the event of an emergency as well as employee understanding and awareness of the risks of accidental information leaks, targeted e-mail attacks and virus infections.

## Information security education for employees

In FY 2017, in addition to educating new employees and employees being posted overseas about information security, we conducted a targeted e-mail attack drill at FUJI OIL HOLDINGS INC. and Fuji Oil Co., Ltd. We will continue working to improve employee information security literacy through education, training, drills and other measures.

## Protection of Intellectual Property

### Obtaining intellectual property rights and establishing a system to prevent the Fuji Oil Group's infringement of such rights owned by other companies

Based on the Fuji Oil Group Management Philosophy, the Group has set forth rules on matters including the handling of intellectual property rights associated with inventions and other creative works made by its employees while on duty in the Regulations on the Handling of Employee Inventions and the Fuji Oil Group Regulations on Intellectual Property Management. We protect intellectual property by obtaining patents and other intellectual property rights for employee inventions and other creative works and by strictly managing our technological know-how to ensure its confidentiality. We also routinely keep a close watch on information regarding patents and other intellectual property rights of other companies to avoid infringing on them.

### Educational activities

Fuji Oil Co., Ltd. holds study sessions whenever necessary as part of its efforts to spread correct understanding of intellectual property. During FY 2017, a training seminar on intellectual property was held in February for new employees involved in research and development who had joined the company six months earlier with the intention of spreading basic knowledge regarding intellectual property. The participants were briefed about intellectual property rights and their significance, as well as rules applied to in-house inventions. Moreover, intellectual property training held from August to October 2017 for mid-level employees in development departments focused on a review of the intellectual property system and practical education in intellectual property through preparation of a patent specification.

## Creation of a Corporate Governance System

### Basic approach

Through the realization of effective corporate governance, FUJI OIL HOLDINGS INC. aims to prevent situations that would harm corporate value, such as violation of laws and regulations, fraud or misconduct, and to strive for sustainable growth and improvement of corporate value over the medium to long term. We have positioned corporate governance as an important mechanism for decision-making that is transparent,

fair, prompt and resolute in order to meet the expectations of stakeholders such as shareholders, customers, other business partners, our officers and employees, and society.

To ensure the confidence of shareholders, we consider it important to conduct flexible and rational decision-making and business execution and to enhance the functions for monitoring and supervising management. To this end, we appoint multiple outside directors and outside Audit & Supervisory Board members, and take care to ensure the independence of the Audit & Supervisory Board and the effectiveness of audits by the members. To expedite decision-making, the Fuji Oil Group shifted its management structure to a pure holding company structure through an incorporation-type company split, and separates management from execution, thereby promoting delegation of authority to its regional headquarters, which are operating companies. Meanwhile, as the global headquarters, FUJI OIL HOLDINGS INC. is engaged in formulating strategies for group management and for managing group subsidiaries.

▸ [Fuji Oil Holdings Corporate Governance Guidelines PDF\(76KB\)](#) 

## Objectives

- By 2020, internal control processes should be established in each group company and frameworks for increasing business process efficiency and reducing the occurrence of losses should be created and upgraded.

## Progress (Measures to achieve these objectives)

- Based on the results of an evaluation of the effectiveness of the Board of Directors (including an interview survey by a third-party organization) conducted in the previous fiscal year, improvement activities were systematically implemented toward the ends desired.

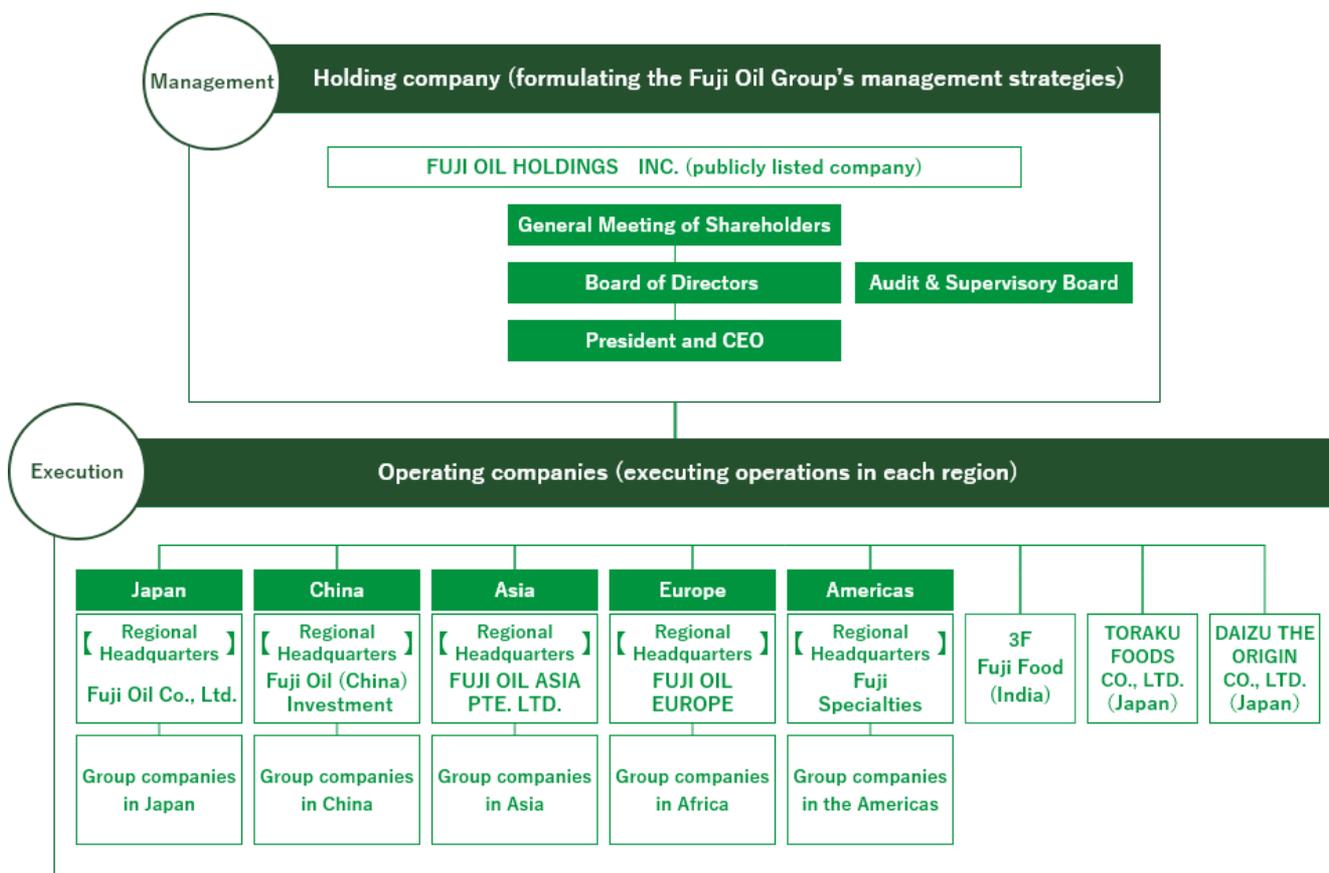
## Specific initiatives

### Holding Company Structure and the Fuji Oil

#### Group Management Philosophy

On October 1, 2015, the Fuji Oil Group shifted its management structure to a holding company structure under a pure holding company. Under this new structure, we aim to enhance our strategic functionality, achieve sustainable growth, and increase our earning capacity.

## Fuji Oil Group Management Structure (as of June 2018)



### Purposes of the holding company structure

#### 1. Strengthening governance

As centralized oversight becomes more important due to the increasing diversity in employee nationalities and other factors, we will strengthen governance functions, primarily in FUJI OIL HOLDINGS INC.

#### 2. Enhancing the Group's strategic functionality

We will implement strategies, especially global strategies that enable the entire Group to achieve sustainable growth, with FUJI OIL HOLDINGS INC. as the core.

#### 3. Hitozukuri (fostering people)

People devise strategies and implement governance. Believing it important to recruit people on a global basis and develop them optimally based on Group-wide allocation, we will change the way we evaluate people and the way we work.

#### 4. Creating new businesses

To realize our desired vision for "How we want to be in 2030", we will implement a business expansion strategy, including M&A, and a growth strategy to create new businesses by making technological innovations.

## Establishment of the Fuji Oil Group Management Philosophy

The Fuji Oil Group Management Philosophy states principles of action that should be observed by all group managers and employees around the world in order for our group to achieve sustainable growth, inheriting the DNA of our foundation and fulfilling our social responsibilities. Established together with the shift to a holding company structure on October 1, 2015, the Management Philosophy is a unifying force for Group management.

See the following web page for more details on the Fuji Oil Group Management Philosophy.

▶ <https://www.fujioilholdings.com/en/about/constitution/>

## Corporate Governance Functions

### Corporate Governance Structure(As of June 22 2018)



### Board of Directors

Based on the rules of the Board of Directors, meetings of the Board of Directors are held once a month in principle, and extraordinary meetings are held from time to time as necessary. Matters stipulated by laws and regulations and other important matters are deliberated and resolved, and the status of the directors' execution of duties is reported.

### Audit & Supervisory Board

The Audit & Supervisory Board discusses and decides on audit policies and audit plans, and reports, resolves and decides on other important matters relating to auditing. It is composed of two internal members and two outside members, and held 12 meetings during the 90th term (April 1, 2017 to March 31, 2018).

### Nomination and Compensation Advisory Committee

In October 2015, we established the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors for transparency in the processes of officer appointments and executive compensation decisions. As of June 21, 2018, the committee is composed of three members: outside director Kazuhiro Mishina, who is the chairperson; outside director Yuko Ueno; and the president. Meetings were held a total of seven times during the 90th term (April 1, 2017 - March 31, 2018).

## ESG Committee (Members and Number of Meetings Held)

The ESG Committee was established in October 2015 as an advisory body to the Board of Directors to accelerate and promote activities relating to ESG (Environment, Social, and Governance). It has Safety, Quality and Environment, Human Resources Development, Sustainable Procurement, Governance and Solutions through Creation of Foods subcommittees, which discuss and make reports to the Board of Directors regarding these areas.

As of June 21, 2018, the committee is composed of CFO and director in charge of Corporate Governance Tomoki Matsumoto, who is the chairperson; director, and CSO Mikio Sakai; and director, and CQO Takashi Kadota; leader and sub-leader of each subcommittee. One external expert also participates as advisor. Meetings were held a total of 5 times during the 90th term (April 1, 2017 - March 31, 2018).

### Approach to Selection of Director Candidates

We select internal and outside director candidates with superior character and knowledge. Particularly for outside directors, we select persons with superior knowledge in specialized fields such as corporate management and management strategy so that they contribute to the improvement of FUJI OIL HOLDINGS INC. corporate value by participating in the formulation of its management strategy and the supervision of business execution from a variety of perspectives.

### Results of the Analysis and Evaluation of the Effectiveness of the Board of Directors

Effectiveness of the Board of Directors To further enhance the objectivity of the Board of Directors and improve governance, we conducted an evaluation of the effectiveness of the Board of Directors in FY 2017.

#### 1. Overview of evaluation

Subjects: Directors and Audit & Supervisory Board members (total of 12, including four outside officers)

Evaluation process: Preliminary questionnaire and interviews by third-party institution and analysis of results with anonymity guaranteed

#### 2. Question items:

1. Composition and Structure of Directors
2. Management and Duties of the Board of Directors
3. Items for Deliberation by the Board of Directors
4. Supervision of the Board of Directors
5. Supervision of the Board of Directors by Audit & Supervisory Board Members
6. Participation at Board of Directors Meetings
7. Respecting the Opinions of Shareholders

#### 3. Results of evaluation

Through this evaluation of the Board of Directors with the involvement of a third-party organization, we confirmed (a) proactive efforts to improve governance, (b) the vitalization of the Board of Directors through the president's leadership and the insight of outside directors, and (c) free and vigorous discussion by the Board of Directors with a culture of respect for outside officers.

On the other hand, we identified points for expected future improvement or functional upgrade, including (a) enhancement of the supervision of the Board of Directors of the holding company, (b) clarification of the role of the Nomination and Compensation Advisory Committee and further enhancement of its functions, and (c) greater diversity of the Board of Directors.

As a policy for the future, based on the report from the third-party institution on this evaluation of the effectiveness of the Board of Directors, it was decided at Board of Directors meetings in FY 2018 to begin formulating an action plan for the tasks listed in the evaluation results. It was also decided to continue discussing medium-to-long-term tasks within the Board of Directors. The Board of Directors of FUJI OIL HOLDINGS INC. plans to continue to evaluate its effectiveness in order to further upgrade its functions.

## Officer Remuneration

Remuneration for Directors and Audit & Supervisory Board members in FY 2017 was as follows.

Classification	Total Amount of Remuneration
Directors (including outside members)	¥295 million
Audit & Supervisory Board Members (including outside Audit & Supervisory Board members)	¥64 million
Total (Outside Members of the Board and Outside Audit & Supervisory Board Members )	¥360 million (¥41 million)

Notes:

1. The above includes compensation for four Members of the Board and a member of the Audit & Supervisory Board who retired at the conclusion of the 89th Ordinary General Meeting of Shareholders.
2. The above includes officer bonuses for FY 2017.
3. The above total remuneration of Members of the Board does not include the portion of salary received as an employee of our company.