

# Together with Clients/Business Partners

## Supply Chain Management

Basic Concept

The Morinaga Group intends to contribute to the realization of a sustainable society by formulating the Morinaga Group Procurement Policy, building equitable, fair, and transparent relationships with clients, and engaging socially and environmentally conscious procurement activities working together with the clients/business partners.

### Morinaga Group Procurement Policy

In order to realize food safety and reliability as well as a sustainable society, the Morinaga Group endeavors to build fair and equitable relationships with our business partners and carry out procurement activities that are considerate of society and the environment.

- 1. Compliance/adherence to social norms, etc.**  
We comply with laws and social norms, etc., carrying out healthy procurement activities in accordance with the Morinaga Group's Code of Conduct.
- 2. Product quality/safety assurance**  
Placing top priority on customers' safety and peace of mind, we strive to ensure product quality in carrying out our procurement activities.
- 3. Strengthening partnerships**  
We work together with our business partners with the common goals of "Customer Delight" and "Customer First," building relationships that enable mutual expansion.
- 4. Fair and equitable trading**  
Comprehensively taking into account efforts related to product quality, prices, delivery deadlines, technological strength, and social/environmental aspects, we undertake fair and equitable trading activities.
- 5. Consideration for human rights/work environment/safety**  
Based on the Morinaga Group's human rights policies, we carry out procurement activities giving consideration to human rights, the work environment, and safety.
- 6. Consideration for the global environment**  
Based on the Morinaga Group's environmental policies, we carry out procurement activities aimed at realizing a sustainable society, giving consideration to the global environment.

(Established in May 2018)

### Supply Chain Management System

In May 2018, in pursuit of sustainable procurement of raw materials, the Morinaga Group established its procurement policy under the leadership of Morinaga & Co., Ltd. Based on the policy, primary responsible divisions—the Procurement Division, the Marketing Headquarters, and the CSR Group of the Corporate Communication Division—develop plans, set goals, and assess activities undertaken by the Group's member companies. In the CSR Committee, management reviews the Group's CSR activities and discusses its response to individual issues relating to such matters as palm oil and cacao.

### Promotion of Sustainable Procurement of Palm Oil

Palm oil is a type of vegetable oil obtained from oil palms. Because of its easy-to-use nature and excellent keeping quality, palm oil is used in various products such as processed foods, cosmetics, and detergents. On the other hand, palm plantation areas are facing social challenges such as environmental and ecosystem destruction, child labor, and other human rights issues. As the Morinaga Group uses palm oil mainly in its soft candy, biscuit, and frozen dessert products, it considers the sourcing of palm oil as one of its key management issues.

To consider this, Morinaga & Co., Ltd. undertook an investigation in FY2020/3 on the volume of palm oil purchased and used on a product-by-product basis. Later, in October 2019, the Company joined the Roundtable on Sustainable Palm Oil\*<sup>1</sup> (RSPO) and the Japan Sustainable Palm Oil Network\*<sup>2</sup> (JaSPON). From FY2021/3 onwards, we will increase the use of sustainable palm oil by shifting to the RSPO-certified palm oil and expanding, gradually, the scope of products that use the RSPO-certified palm oil.

\*1: RSPO (Roundtable on Sustainable Palm Oil): An international certification program aimed at producing and using sustainable palm oil taking into consideration to the environment and human rights.

\*2: JaSPON (Japan Sustainable Palm Oil Network): A network mainly consisted of Japanese firms and NGOs. It was established in April 2019 to solve various environmental and other issues arising from the palm oil production, and to encourage procurement and consumption of sustainable palm oil in the Japanese market (Secretariat: WWF Japan).

#### RSPO (Roundtable on Sustainable Palm Oil)

▶ <https://www.wwf.or.jp/activities/basicinfo/3520.html>

#### JaSPON (Japan Sustainable Palm Oil Network)

▶ <http://rspo.jp/>

### Promoting Procurement of Environmentally Conscious FSC®\*-certified Paper

The production of paper heavily depends on overseas forests, as approximately 70% of wood chips, the raw material for paper, are imported. FSC®-certified paper is defined as paper made from raw materials that: 1) came from well-managed sources; or 2) have been certified based on the assessment of whether they were sourced

from forests appropriately managed and logged in an ecosystem-friendly manner to ensure environment conservation. Morinaga intends to use more FSC®-certified paper in the future.

For more details, see Environment-friendly Packaging Materials on p. 47.

\*FSC® (Forest Stewardship Council®): An international non-profit organization that works for appropriate use and conservation of forests.

#### FSC® (Forest Stewardship Council®)

▶ <https://jp.fsc.org/jp-jp>

### Promotion of Procurement of Sustainable Cacao Beans

A wide range of social issues are involved in cacao beans, the raw material for chocolate. These issues include poor working environment, child labor, poverty among cocoa farmers due to lack of appropriate skills and knowledge, and global warming (deforestation). Cacao beans are regarded as sustainable when they can contribute to sustainable procurement by solving or supporting the resolution of social issues that are causing supply shortages.

With the aim of solving social issues facing cacao-producing areas, the Morinaga Group conducted a research on the volume of cacao beans consumed in each product and has begun to use sustainable cacao beans certified by the Cocoa Horizons\* in some products.

\* Cocoa Horizons: A non-profit program designed to accomplish the mission of improving the livelihood of cocoa bean producers and residents in the area through sustainable and entrepreneurial farming, improved productivity, and the promotion of regional development. It is run by the Cocoa Horizons Foundation, an organization led by Barry Callebaut, a Swiss-based manufacturer of cocoa and chocolate products.

#### Cocoa Horizons

▶ <https://www.cocoahorizons.org/>

### Training and support for cacao farmers by the Cocoa Horizons Foundation



Work training after harvesting cacao beans (drying process)



Supporting potable water infrastructure for cacao farmers

### Strengthening Partnerships with Business Partners

To achieve food safety and reliability and a sustainable society, a trust-based cooperative relationship must be built with business partners throughout the supply chain from procurement to production and distribution.

In August 2019, an information exchange meeting with cooperating companies was held and participated by 58 people from 31 companies. In the meeting, we explained the Morinaga Group Procurement Policy and asked for their cooperation for socially and environmentally conscious procurement activities. We will continue to inform our business partners of the need to cooperate from a sustainability perspective, and ask for their understanding of, and engagement in, the initiative.



Explained our procurement policy at an information exchange meeting

### Communication in raw material origin countries

As part of our sustainable procurement initiative, we are working on the solution of issues related to palm oil and cacao beans with their suppliers, palm oil and cacao bean producers.

In FY2020/3, Morinaga's members of procurement division visited an Indonesian cacao plantation to collect information from, and exchange opinions with, local cacao producers. During the visit, they not only saw how sustainable cacao beans were produced, what sort of efforts were made, and how the farming of seedlings was supported, but also offered lectures on the cultivation of cacao to local producers. As a result of these activities, the members raised their awareness about the importance of the initiative.

#### Visit to Indonesia (FY2020/3)



Visit to a cacao seedling farmer

Visit to a cultivation lecture class for producers

