

Ajinomoto Co., Inc.
2024 Human Rights Due Diligence (Malaysia)



The Global Alliance for Sustainable Supply Chain
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I. Introduction

In accordance with the Guiding Principles on Business and Human Rights approved by the United Nations Human Rights Council in 2011 and the Guidelines for Respecting Human Rights in Responsible Supply Chains formulated by the Japanese Government in 2022, Ajinomoto Co., Inc. (Ajinomoto) commissioned The Global Alliance for Sustainable Supply Chains (ASSC), a non-governmental organization (NGO) that promotes sustainable supply chains in Japan, to conduct a human rights impact assessment on the Malaysian palm oil supply chain to be procured by the Ajinomoto Group and to produce this report.

*"Human rights impact assessment": Inspects and confirms through dialogue whether responses based on the UN Guiding Principles have been taken, and then assesses human rights risks.

II. Background and Objectives of the Study

1. Background

The Ajinomoto Group has established a Group Policy on Respect for Human Rights based on the UN Guiding Principles on Business and Human Rights and has established a human rights due diligence mechanism to fulfill its responsibility to respect human rights and clarified its ongoing implementation. ([Human Rights | Sustainability | Ajinomoto Group Global Website - Eat Well, Live Well.](#))

The Group has been conducting human rights impact assessments in order of priority based on country-specific human rights risk assessments, and this time the Malaysian palm oil supply chain was set as the target of the assessment.

*"Country-specific human rights risk assessment": Verisk Maplecroft's human rights risk data was used to identify multiple countries and business operations with high human rights risks by country or region.

2. Objectives

The objectives are to recognize and assess human rights risks through an on-site study, and based on the assessment results, to consider responses to the risks and to prevent and correct risks of human rights violations.

III. Study methods

The study team conducted desk research prior to the trip to Malaysia to list human rights risks, followed by a review of Ajinomoto's initiatives to address them, and then identified or estimated the areas and supply chains to be assessed. After the trip, the study team conducted the on-site survey at local oil manufacturers, loading ports, oil palm farmers. The study team also interviewed local institutions, such as certification bodies and National Association of Smallholders Malaysia (NASH) in Malaysia, to solicit broad input from stakeholders.

IV. Results of the study

1. Pre-trip desk research

Based on information from UK risk researchers, the ASSC closely examined the contents and identified the following human rights risks in Malaysia and the Malaysian palm oil industry.

(1) Potential entailing general human rights risks in Malaysia (not limited to the palm oil industry)

(i) It is not a member of any major international human rights covenants. It has not ratified the International Covenant on Civil and Political Rights and has not ratified the International Covenant on Economic, Social and Cultural Rights.

(ii) Basic labor rights (freedom of association and collective bargaining rights) are not adequately protected. Migrant workers have difficulty joining unions.

(2) Potential human rights risks in the palm oil supply chain in Malaysia

(i) Child labor sometimes exists on oil palm farms, and in particular, it is often the case that children of migrant workers in the eastern part of Malaysia are engaged in such labor. Also, forced

labor (modern slavery) may exist, with notable major reasons including the charging of recruitment fees and the confiscation of identity cards, and migrant workers are in a particularly vulnerable position.

(ii) In oil palm farms, risks of injuries and health hazards exist due to dangerous and very poor working conditions.

2. Confirmation on Ajinomoto Group

(1) Initiatives to date

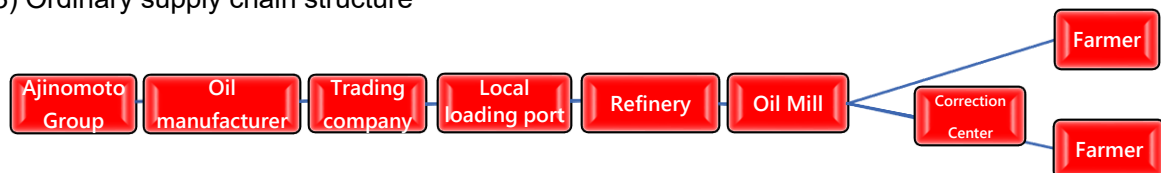
According to Sustainability Report 2023, the Ajinomoto Group uses palm oil or palm kernel oil in a variety of products including processed foods, such as cup soup, instant noodle and coffee creamer, and chemical products, in Japan, Southeast Asia, Europe, North America and South America, and certain products use palm kernel oil, certified products of which are more difficult to procure. While the Group is advancing procurement of palm oil certified by Roundtable on Sustainable Palm Oil (RSPO) for sustainable palm oil, the Group is also considering risk assessment by securing traceability, recognizing the certified product supply volume as an issue.

*RSPO certified product procurement ratio is 37%.

(2) Areas to be assessed

Through collaboration with oil manufacturers and trading companies with which the Ajinomoto Group has business dealings, Johor state was identified or estimated as a palm oil production area in Malaysia for the Ajinomoto Group.

(3) Ordinary supply chain structure



*The above structural map was prepared by ASSC through interviews with Ajinomoto and field visits.

3. On-site survey

(1) Refinery (Oil refining company)

The study team visited a refinery of a consumer goods manufacturing company headquartered in Singapore. The company manufactures plant-derived cooking oils, oil and fat products, rice, premium powders, soaps and creamers, and operates in the Asia-Pacific region, Middle East, Africa, Europe and the Americas. The company's sustainability initiatives are aimed at achieving the SDGs targets, and consist of five broad frameworks: environmental conservation, responsible supply chain, product quality and safety, human resource development, and community support. The responsible supply chain includes a sustainable palm oil policy, a traceability supply chain, a supplier engagement program and a grievance procedure (complaint handling). They have introduced grievance mechanism in 2016, and they said that the most frequently raised voices are regarding environmental destruction and human rights while the most frequently raised voices from the public are related to environmental conservation.

They gave explanations regarding RSPO certification and EU Deforestation Regulation (EUDR), and they have responded to the demands of the European market and place great importance on RSPO certification.

Currently, they hold some issues regarding the demands of EU and are particularly working on enhancing and improving traceability. As regards supplier management in terms of sustainability, they said they have several hundreds of direct contract suppliers, and they visit and audit high-risk suppliers located near forests (excluding the periods of COVID-19) every year and other suppliers once every three years. It appeared that during audits they also verify human rights (wages and overtime work), occupational safety and health and the proper use of agricultural chemicals.

The study team have obtained the following perspectives from the said operator regarding the certifications of RSPO and Malaysian sustainable palm oil (MSPO).

- RSPO is global (BtoB) while MSPO is led by Malaysian government.
- RSPO responds to market demands while MSPO was created through government initiatives.
- Obtaining RSPO certification is highly recognized globally, and it particularly leads to development of dealings with Europe.
- MSPO has contributed to protection of human rights and improvement of sustainability in small-scale farmers.

Although both certifications involve costs, they see that the cost of MSPO certification is lower as it has government support while RSPO certification is more expensive but it has higher value in particular in the European market.

As no interviews were made with workers this time, it was impossible to confirm how the employees are working and how the said corporation's human rights-related activities (preparation of personal protective equipment within the factory floors, payment of appropriate wages, management of working hours, provision of adequate working environment, etc.) are implemented on the ground. On the other hand, from the information obtained by inspection made in parts of the refinery premises, no problems were observed in terms of occupational safety and health.

(2) Oil palm plantation operator

It is a major agriculture-related company mainly handling plantations and agri-food products, and the plantations are organized.

Employment is carried out in compliance with the Malaysian Labor Law, taking into consideration the standard of RSPO certification. The operator commented that most workers are directly employed but foreign workers are employed through temporary manpower companies.

When asked about measures against child labor, which is generally considered to be a risk (in the palm oil supply chain), there was a report that since they undergo RSPO audits annually,

there is no problem. However, they said that no confirmation can be made as to individual and family-owned farms.

(3) Palm oil loading port/Terminal company

During the visit, after receiving some explanations regarding their facility and equipment, the study team conducted several verifications. Since the facility has obtained RSPO certification and undergoes audits, it doesn't appear that major human rights violations have been occurring. Also, the study team checked their simple attendance register and found out that there were no cases where long working hours were observed.

(4) Oil palm farmer (small-scale)

[Supplemental information] Arranged by ASSC, direct dialogue was made with multiple small farmers who have obtained MSPO certification. Regarding palm oil procured by the Ajinomoto Group, implementation is made to grasp the situations of oil palm farmers in Malaysia and confirm how human rights are respected regardless of whether the Ajinomoto Group has direct or indirect dealings with them.

The said farmer has obtained MSPO certification based on requirements of the government. (All private, private small-scale farmers and organized small-scale farmers are required to register for MSPO certification by December 31, 2020.) As a result that they obtain MSPO certification, they receive support from Malaysian Palm Oil Board (MPOB) ([Malaysian Palm Oil Board Official Portal \(mpob.gov.my\)](http://mpob.gov.my)) regarding how to manage oil palm farms, such as appropriate amounts of fertilizers and agricultural chemicals. As regards issues with employment foreign workers, since it is required to have 1 foreign worker per 24 hectares and employ at least 10 foreign workers when hiring under MSPO regulations, the farmer interviewed this time does not fulfill the employment conditions in terms of the scale and therefore they do not employ any foreign workers. They said that when they need additional labor during the harvest season, they receive personnel dispatched from collection centers.

When asked about the difference between MSPO and RSPO, they said they recognize that MSPO places importance on support for producers (in particular, small-scale farmers) and overall level improvement while RSPO places importance on appealing to consumers through certification, and that MSPO is the standard in Malaysia while RSPO represents requirements from Europe.

When asked about the real situations regarding issues raised concerning child labor and forced labor in the palm oil supply chain, they said that although there are times when they bring their own children to the farm so that they can watch how their parents are working, they have not let them work. Also, as regards forced labor, since they receive foreign workers dispatched from collection centers when the needs arise, no forced labor is practiced. When they have trouble, they make discussion within the gatherings of Persatuan Kebangsaan Pekebun-Pekebun Kecil Malaysia (PKPKM), a nationwide small-scale farmers' association, or make confirmation with MPOB.

In terms of occupational safety and health, their wearing of helmets and safety shoes was confirmed. The current concern is that they are facing price problems due to the impact of global

warming as (recently) weather conditions are unstable and harvest volumes remain low and there are no signs of increasing, and under such production situations, when the harvest is small, prices don't go up and when the harvest is large, the supply becomes abundant, leading to lower prices.

Asked about what they expect from buyers, they said that they hope the values of MSPO and Malaysian palm oil will be recognized in the world and awareness (of efforts towards sustainability) will be raised.

(5) Malaysian Palm Oil Certification Council (MPOCC)

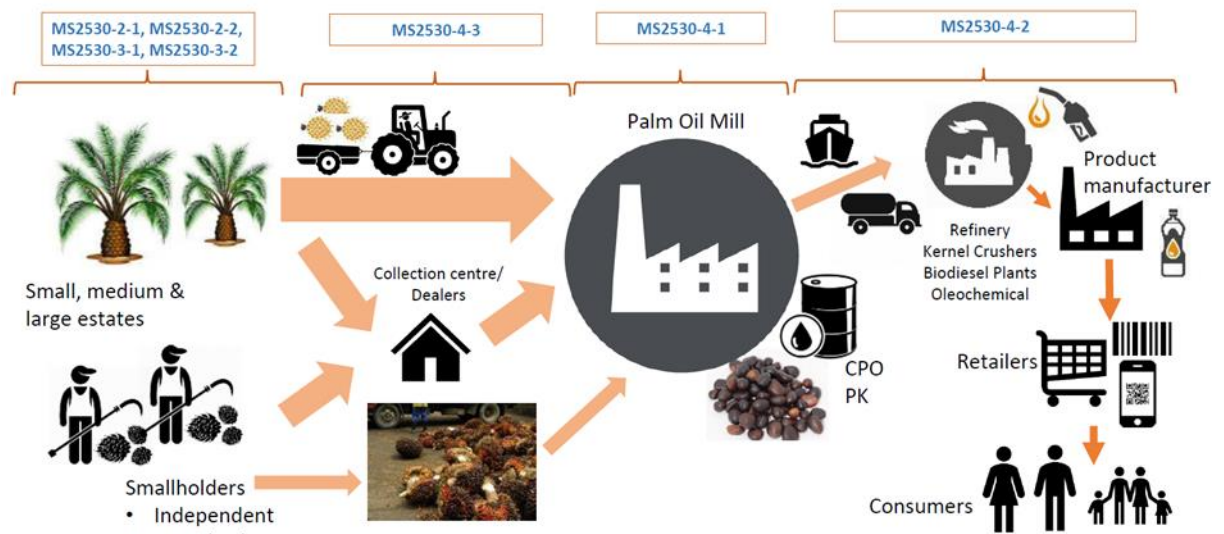
MPOCC was incorporated in 2014. Their Vision is to become a sustainability driver to transform Malaysia palm oil supply chain for global market consumption and MPOCC has established and operated a certification system for sustainable palm oil in Malaysia.

MSPO's certification scheme is not a mere international certification system but is also a catalyst (for promoting enhancement of human actions and consciousness) for transforming the sustainability of the industry, including small-scale stakeholders. When preparing "Procurement Codes" with consideration given to sustainability as a guideline and procedures applied uniformly to materials used for 2020 Tokyo Olympic and Paralympic as well as to goods and services provided at facilities like the athletes' villages, MSPO was approved as a palm oil procurement code together with RSPO and the Indonesian Sustainable Palm Oil (ISPO) standard.

The Malaysian government has made it mandatory for all oil palm farmers and palm oil mills to obtain MSPO certification starting from January 1, 2020. As a means to implement the MSPO mandate, requirements for obtaining a MPOB license (obtainment of MSPO certification) were added. Oil palm farms equal to or larger than 40.47 ha and palm oil mills that have no MSPO certification or have not yet initiated the certification process on January 1, 2020 will be considered having committed a crime under MPOB regulations and therefore will be subject to fines and penalties. Also, non-compliance with the same regulation can result in the suspension or revocation of the MPOB license, and as such, it has a quite strong enforcement power.

After the MSPO standards was established in 2013, its draft amendment was formulated taking into consideration the actual economic and other conditions in 2022. On and after January 1, 2025, the new standards (MS 2530:2022) will be applied. As a result of the amendment, it will be aligned with RSPO standard items, but it also includes sustainability requirements to refinement-related facilities and collection centers (collection agencies), beyond the scope of RSPO. Additionally, as regards social elements, regarding forced labor and child labor in particular, the amendment has included indicators from the United Nations (UN) and the International Labor Organization (ILO).

The Malaysian palm oil value chain and the coverage of MS 2530:2022



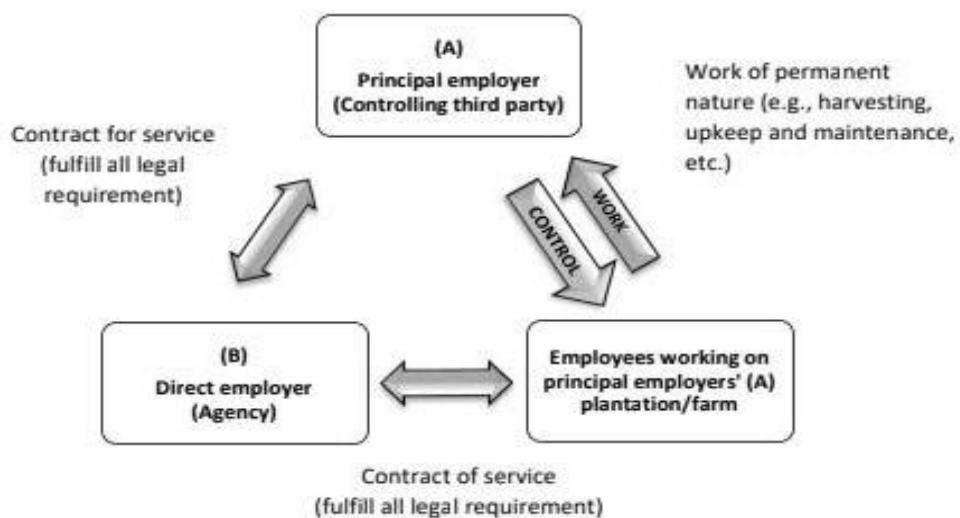
*Source: References provided by MPOCC

As a significant change from the 2013 version, it refers to the Triangular Employment Arrangement (see diagram below: triangular employment form). *MSPO certification also applies to the below organizations.

- Employees of small farmers
- Collection centers/employees of domestic dealers in Malaysia
- Employees of organizations that bring small farmers together

In the event of a violation, all parties are held responsible, followed by suspension or revocation of license.

In the event of suspension or revocation of license, it is made possible to obtain a license again.



*Source: References provided by MPOCC

As regards the new standards, MPOCC provides education, such as by holding explanatory meetings in place of the government, and the complete transition will be effected on and after January 1, 2025. When obtaining MSPO certification, individual farmers receives subsidies. On

the other hand, corporations must bear their own expenses.

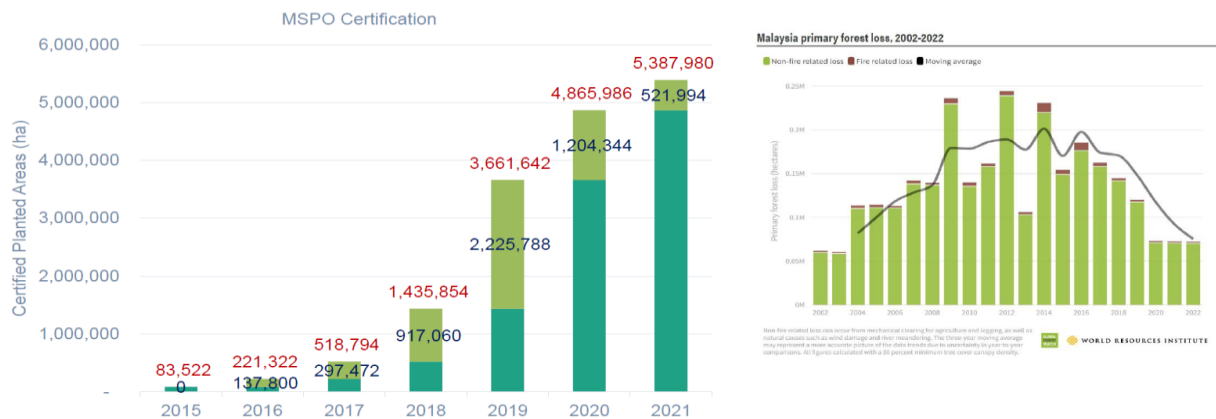
Explanation was also given as to MSPO Trace under preparation. It is possible to confirm even the location and license of small-scale farmers, who are producers. Although collection centers are not covered by the current standards, since they will be covered by the new standards, it will be possible to confirm them by tracing back to the certification numbers.

The use of the MSPO certification logo is stipulated for products with a MSPO certified oil ratio of 70% or higher. The remaining 30% not certified by MSPO includes those under suspension of license or after expiration of license. Audits are conducted once every six months, and each audit ordinarily takes one month. If an audit for re-certification takes three months, it results in a temporary suspension, and such cases account for the 30%. Further, in the event of expiration of a license, MPOB provides a warning and encourages the maintenance and acquisition of the license.

They said MSPO Trace will make it possible to provide a value chain capable of tracking the palm oil products from the source of supply and across the entire supply chain.

MPOCC intends to promote MSPO certification beyond Malaysia to support the Malaysian palm oil industry, in particular, the efforts taken by small-scale farmers to produce certified, sustainable palm oil for the global market.

Although it cannot be said that the mandatory acquisition of MSPO certification has led to reduction of deforestation by 100%, data has been shown a decrease in forest loss as the ratio of MSPO certification acquisition has increased.



*Source: References provided by MPOCC

As of July 2023, 95.6% of farmlands and 96.3% of mills have obtained MSPO certification.

(6) Nationwide small-scale farmers' association (Persatuan Kebangsaan Pekebun-Pekebun Kecil Malaysia: PKPKM)

PKPKM is an organization that brings small farmers together. Chairperson is also a board member of MPOCC, and coordinates efforts and occasionally addresses the representative opinions of small-scale farmers.

Their vision is to improve the socio-economic aspects of small-scale farmers by building good relationships with government agencies, private organizations and non-governmental organizations (NGOs) for the purpose of enhancing their productivity, income and quality of living.

“Is there anything we can collaborate with as a Japanese corporation?” To this question, opinions were raised, such as “Of course, a private company must generate profit, but for example, if there are activities such as providing organic fertilizers to small-scale farmers, it will also serve as an appeal of our sustainable palm oil production.”

(7) Federal Land Development Authority (FELDA)

FELDA was established on July 1, 1956 under the Land Development Ordinance of 1956 for the development of land and relocation with the objective of poverty eradication through the cultivation of oil palm and rubber. The FELDA function is to carry out projects of land development and agricultural activities, industry, and commercial and socio-economy.

Today, FELDA continues to carry major role by providing adequate and modern facilities on the projects, securing availability of education that enables to enhance the quality of socio-economy and life and by ensuring that the project can not only generate various economic activities but also improve the quality of socio-economy and life. FELDA focus is to become the 'Economic Powerhouse' in generating economic activities in 2020 through its structural program with a wide range of human capital potential.

The study team visited the farmland developed at the time of the establishment of FELDA and confirmed the current situations of oil palm farms. In the farmland operated by FELDA, there are people migrated to the farmland in the 1950s, and they have been given allocated land and are still operating the palm plantations. Currently, their second to third generations engage in operation of farms. As far as the areas developed by FELDA, it was confirmed through hearings that farm owners were given necessary and sufficient land and had migrated of their own will. There are no possibilities for the residents to face hardships in living as there are schools and supermarkets in the development areas.

(8) Oil palm farmer (Farmers solicited by FELDA)



Through hearings with farmers, it was confirmed that FELDA has actively involved in proactive urban development and provided guidance for farms, etc., and as regards a feeling of concerns of member farms of PKPKM mentioned earlier and work and living environments, they have the same perspectives.

It was confirmed that safety considerations are taken into account for work on the farms as the needs arise. Also, as there were Indonesian workers dispatched from a collection center, the study team made dialogue with them, and it appeared that they have motivations for work in a long term and they are living without significant complaints. In addition, due to the similarity between Indonesian and Malay languages, they seem to have no obstacles in communication, etc.

On the other hand, individuals are engaged in harvesting activities involving the danger of falling heavy palm fruits and the use of sharp sickles throughout the day alone in forests with poor footing, and therefore it is necessary to give continuously considerations to the wearing of appropriate personal protective equipment as well as the handling of sickles.

V. Summary

As a result of the visit this time, no cases of child labor and forced labor as indicated in the preliminary desktop research were confirmed. Also, it was confirmed that no (some sort of significant) functional disturbance has occurred to the certification systems such as RSPO and MSPO. As regards MSPO about which the study team obtained the latest information on-site, the study team obtained this impression that MSPO is a certification standard that is aligned with the current situations (aiming for an overall improvement) based on the demands from the world and taking into account the responsiveness of small-scale farmers and stakeholders involving in the Malaysian palm oil industry. MSPO seems to meet the minimum requirements internationally, and given its penetration within Malaysia, traceability is excellent in Malaysia.

VI. Recommendations to Ajinomoto

Based on the visit this time, ASSC believes the following points should be conveyed as improvement proposals to Ajinomoto.

(1) The human rights impact assessments to be continued should not be limited to confirmation of the overview of each facility but Ajinomoto should collect the voices of employees working at each facility (as done this time or more) and advocate at the supply chain to contribute to activities relating to your company's business and human rights activities.

(2) (Both Japan and abroad,) in order to build a relationship where corporations in the supply chain engage proactively instead of becoming skeptical about "corporate responsibility to respect human rights" under international standards, it is necessary to request repeatedly through raising of policy awareness and collaborations.

(3) Activities that contribute to "business and human rights" should not only be business activities (procurement activities) based on "principle of three realities or San-Gen Shugi," a philosophy of focusing on the "real site", the "real article" and the "real situation" (The concept of solving problems by observing the "actual product" on the "actual site" and understand the "reality" to solve problems, rather than relying on deskbound discussions.) but also incorporate "real people" to observe as working people on the ground to realize "principle of four realities or Yon-Gen Shugi." Nothing but in what work environments and living environments the "real people" are the key to enhancement of productivity and business viability for your company.

(4) As regards the social issues obtained by the preliminary research, no confirmation was made through the visit this time though, ASSC recommends that Ajinomoto continue verification as the needs arise also in other than Johor state.

(5) It is considered necessary to continuously observe in what situations the "real people" are contributing to your company's products and services while your company is engaging in collaborations with local stakeholders and providing guidance on the building of grievance system, how to use fertilizers, agricultural support, etc.

These are the key points of this on-site survey, but we believe that the key to truly evolving into a global company is to reach out to supply chains including your domestic business operators without hesitation.

< References >

[167. FY 2021 "Commissioned Project for the Survey and Analysis of Certification Systems for Sustainable Raw Material Procurement"](#)

[Expo 2025 Code of Sustainable Procurement](#)

https://www.expo2025.or.jp/wp-content/uploads/220728_5-2_Explanatory-Materials.pdf