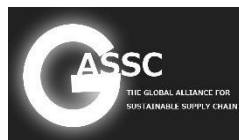


Ajinomoto Co., Inc

2024 Human Rights Due Diligence

(Brazil, Soybeans)



The Global Alliance for Sustainable Supply Chain

March 31, 2025

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## **I. Introduction**

In accordance with the Guiding Principles on Business and Human Rights approved by the UN Human Rights Council in 2011 and documents such as the Japanese government's 2022 Guidelines on Respect for Human Rights in Responsible Supply Chains, Ajinomoto has asked the Global Alliance for Sustainable Supply Chain (a non-governmental organization (NGO) that promotes sustainable supply chains in Japan; hereinafter referred to as the "ASSC") to conduct a human rights impact assessment in relation to the supply chain involved in the soybean-derived raw materials which are procured by the Ajinomoto Group and to prepare this report.

\*Human rights impact assessment: An assessment concerning human rights risks that is made upon having undertaken investigations through dialogue in relation to whether responses based on the UN Guiding Principles are being implemented.

## **II. Investigation Background and Objectives**

### **1. Background**

The Ajinomoto Group has established a Group Shared Policy on Human Rights based on the UN Guiding Principles on Business and Human Rights. The Group clearly states that it will establish human rights due diligence mechanisms in order to fulfill its responsibility when it comes to respecting human rights and that it will implement those mechanisms on a continuous basis.

([https://www.ajinomoto.co.jp/company/jp/activity/keyword/human\\_rights.html](https://www.ajinomoto.co.jp/company/jp/activity/keyword/human_rights.html))

When it comes to the supply chain of important primary raw materials for foods (agricultural and marine products), human rights due diligence is being promoted with priority levels having been assigned while at the same time conducting dialogue and consultations with stakeholders and undertaking cooperation with human rights experts. Based on country-specific human rights risk assessments\* carried out in 2018 and 2022, human rights impact assessments have been conducted on chicken and shrimp in Thailand, sugarcane and coffee beans in Brazil, sugarcane in Indonesia, coffee beans in Vietnam, and palm oil in Malaysia. In continuation with those assessments, this occasion saw the Group conducting human rights impact assessments with respect to the coffee bean (second assessment) and soybean industries in Brazil based on dialogue.

\*Country-specific human rights risk assessment: Country-specific human rights risk-related data provided by Verisk Maplecroft is used to identify countries presenting prominent levels of human rights risks and target primary raw materials.

### **2. Objective**

The Objective of this investigation is, through the undertaking of on-site investigations, to recognize and assess human rights risks, to consider methods for responses to be undertaken in relation to risks based on the results of the assessments made, and to prevent and make corrections in relation to risks which exist in terms of human rights violations.

## **III. Study Method**

During this investigation, a list of human rights risks was drawn up through desk research conducted before going to Brazil. Then, assessment target areas and supply chains were identified or presumed. Upon travelling to Brazil, visits were made to locations such as soybean farms and soybean terminals. Additionally, dialogue with several agribusiness companies was conducted to obtain broad opinions from stakeholders.

## **IV. Results of the Study**

### **1. Pre-trip Desk Research**

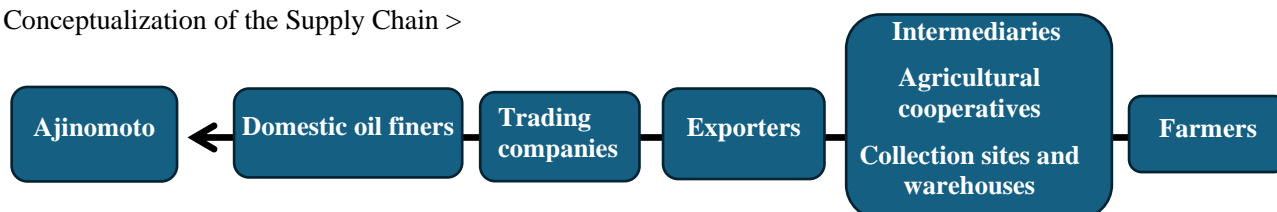
Based on information provided by risk researchers in the United Kingdom, the ASSC reviewed and identified the following five commonly assumed human rights risks in Brazil and the Brazilian soybean industry.

(1) Conflicts regarding land usage (2) Occupation of indigenous lands (3) Forced labor (4) Informal labor and wages (5) Health and safety

## 2. Identification or Presumption of Areas and Supply Chains Subject to Assessment

A confirmation of the supply chain of soybeans (a primary raw material) was conducted with the cooperation of business partners.

< Conceptualization of the Supply Chain >



## 3. Visit-Based On-Site Study (Details herein are based on interviews)

### (1) Soybean Farmer A

A visit was made to a family farm to interview the sixth-generation owner of the farm.

#### Basic Information

In the 1930s, the owner moved from Germany to Brazil together with relatives. In 2012, the owner purchased land in Tocantins, moved there, and started growing soybeans and other crops. At that time, there were no paved roads, and development had not seen any progress. The total area of land owned amounts to around 13,000 hectares. The visited farm contains 9,000 hectares of land, of which 4,000 hectares are used for grazing. After growing soybeans, 60% of the land is used to plant corn and 30% is used to plant sesame seeds.

#### Land Management and Sustainability

15% of the land was reclaimed from the natural forest found on the property. The rest was purchased from the original owners because the land went up for sale when the state was split up in 1988. Under the Brazilian Forest Code, landowners are obliged to maintain a percentage of their land as legal reserves in order to conserve biodiversity. Thus, the farmer in question has left 35% of their farmland as natural forest.

#### Employee Information

Of the farm's employees, 110 are regular employees that undertake management of the farm, including tasks such as taking care of the cows. Most of the employees live in a town that is 45 kilometers away, but housing is also provided on the premises. The farm does not employ day laborers hired through agencies. For about 90 days during the harvest season, seasonal workers are employed under labor contracts, but there are some cases in which seasonal workers are promoted to regular employment. Hiring is done through direct recruitment on social media platforms. Most of the applicants are from the region and the employment retention rate is about 50%.

#### Work Environment and Benefits

The working hours are from 7:00 a.m. to 6:00 p.m. with an hour and a half lunch break in between starting at 11:00 a.m. During the busy season, employees work two hours overtime until 8:00 p.m. Only the warehouse is operated 24 hours a day and adopts a two-shift system. There are 12 schools in the area. Housing costs are covered by the company. There are also four cooks stationed on the farm with three meals a day being provided. In addition, the company has been improving the benefits provided to employees, such as by providing boxed lunches for employees performing work in distant locations. Wi-Fi is available throughout the premises and personal protective equipment (PPE) is provided according to the type of work being conducted.

#### Training and Safety Management

Training is provided for each job type upon joining the company. Operators of large machines receive training and obtain certificates. When it comes to the management of large machines and pesticide sprayers owned by the company, daily safety inspections are carried out along with periodic inspections, and the operation is thoroughly based on checklists.

## **International Regulations**

Although the company is not aware of European regulations such as EUDR and CS3D, it does comply with Brazilian laws and operates in a transparent manner. In the past, the company had been visited by NGOs (at the request of companies from Europe) which demanded stricter standards than those involved in the Brazilian government's regulations, and in some cases, the company was not able to sell products if the requirements were not met.

### **(2) Soybean Farmer B**

A visit was made to a farmer who moved to Tocantins in 2012.

#### **Basic Information**

The farmer used to grow soybeans in the state of Paraná, but when the current land became available for purchase, they moved there to expand their farmland and began with development.

The farmer owns 7,000 hectares of land with crops planted on 5,000 hectares. Soybeans are planted during the rainy season from September to October, and corn is planted immediately after the soybeans are harvested.

#### **Land Management and Sustainability**

Instead of plowing, the farmer directly sows seeds and inputs the necessary nutrients (N, P, K, Ca, Mg, etc.) while monitoring the soil conditions. Insecticides and herbicides are used under strict government restrictions. There are no irrigation facilities and natural rainfall is used. In accordance with Brazilian law, 40% of the site is managed as a reserve. The farmer's perception is that Brazil's forests are well protected, with only 6% of the country's land comprising cultivated land.

#### **Employee Information**

The farm has 45 regular employees, some of whom have worked there for more than 25 years. The number of non-regular workers is 50 (as of the time of the visit), but that number increases to up to 100 during peak seasons. Many of the non-regular workers are from nearby areas, but many come from other states and are provided with accommodation for 30 to 40 days. Non-regular workers often move from farm to farm. It is not unusual for them to not seek regular employment. Brazil has a persistent labor shortage and there is a certain number of workers who do not choose to go with regular employment. As an employer, the farm complies with the law and has put appropriate controls in place to prevent problems.

#### **Work Environment and Benefits**

The warehouse operates 24 hours a day and operates with two shifts. The farm itself, however, does not operate 24 hours a day.

#### **Training and Safety Management**

Employees are provided with appropriate training. Moreover, large machines and planting machines have been introduced just recently. Safety management is checked once a week by an outside contractor. The farm pays special attention to the work conducted in the warehouse because it involves the highest risk from a safety standpoint.

#### **International Regulations**

The perception of the farmer is that the majority of Brazilian farmers are operating in adherence to Brazilian laws in relation to sustainability activities, the environment and nature conservation, and the treatment of workers. The farmer feels that while there have been various things pointed out by NGOs, some of what is reported in the media is exaggerated. While Brazil's labor laws are strict and farmers operate in compliance with the law, the farmer stated a view to the effect that they think that not all of the rules in place are necessarily being followed when it comes to factories such as those run by companies.

### **(3) Soybean Terminal**

Interviews were conducted with managers and workers at a facility operating on a 24-hour-a-day basis.

#### **Employee Information**

The facility uses a fixed three-shift system. It employs 87 regular employees. Non-regular workers are mainly in charge of cleaning work. It uses two agents (syndicates), conducts health checkups at the time of recruitment, and provides training when people join the company.

#### **Work Environment and Benefits**

Shifts are either from 7:00 a.m. to 5:00 p.m. or from 4:00 p.m. to 1:00 a.m. (with a one hour break). The farm is closed on Saturdays and Sundays. Two hours of overtime are done each day during the harvest season. The company provides a shuttle bus for commuters. Regular employees receive two weeks of training after joining the company. In addition, health checkups are provided upon joining the company, but periodic health checkups are not provided because they are not mandatory in Brazil. Labor representatives are established in accordance with national laws, but there is no labor union.

An employee who was interviewed is from a place that is 500 kilometers away. The employee underwent job interviews at a local office and then moved after the employment had been decided. The employee is currently staying in company-provided accommodation. Four people share one room equipped with bunk beds. Three meals are provided, and no dormitory fee is required. Paid leave has been granted and the employee said that it was scheduled to be taken after the end of the busy season.

#### **Safety Measures**

Fire extinguishers are inspected once a month and fire inspections take place once a year. A contractor is called in to conduct machine inspections. Everyone wears PPE.

### **(4) Collector and Exporter A**

#### **Basic Information**

This is a Brazilian agribusiness company that collects soybeans and corn in the MATOPIBA region (comprised of the states of Maranhão, Tocantins, Piauí, and Bahia). It also operates a grain export terminal in Maranhão.

#### **Sustainability**

The company is working with two pillars: (i) sustainability related to grain distribution and (ii) sustainability related to environment.

- 1) Respect for local communities
- 2) Compliance with ILO standards
- 3) Protect Conservation area
- 4) Legal compliance and respect for rights
- 5) Impact assessments conducted in consideration of the natural environment before the construction of facilities
- 6) Consideration for modern slavery and prohibition of human trafficking in accordance with Brazilian legislation
- 7) Performing transactions only with farmers that are registered with the Brazilian Rural Environmental Registry(CAR)
- 8) Eliminating deforestation throughout the production chain to preserve ecosystems such as the Amazon and the Cerrado

### **(5) Collector and Exporter B**

#### **Basic Information**

The company is one of the country's leading agribusiness companies and is headquartered in the Brazilian state of Mato Grosso. The company focuses on the trading of grain and operates a wide range of businesses, including those involving soybean production, grain storage, transportation infrastructure operation and hydroelectric power generation. When it comes to deforestation and conversion free (DCF) efforts, the company aims for zero deforestation not only in its supply chain but also in its own farms. It also gives care to newly purchased land. Although limited to direct suppliers, the company achieved 100% traceability in 2022.

## **Human Rights Guidelines**

In December 2023, the company published guidelines and policies on human rights and made them available to its business partners, employees, and shareholders. With respect to human rights risks, the company has prepared its own assessment report and has configured 12 items which are relevant to all departments. The following eight items have been identified as significant risks.

- 1) Sexual violence against children
- 2) Racial discrimination
- 3) Accidents involving truck drivers
- 4) Forced labor (akin to slavery)
- 5) Issues with indigenous peoples
- 6) Impact on local infrastructure
- 7) Energy produced by dams
- 8) Occupational health and safety of workers

Risk calculations are conducted while taking into consideration overseas risks and the Corporate Sustainability Reporting Directive (CSRD), and improvement activities are being promoted in areas involving high risk.

## **Sustainability**

In addition to initiatives related to human rights and the environment, the company is engaged in a wide range of activities, including the improvement of working environments and the provision of support for local communities. Since 2012, the company has been implementing a program to protect the safety of truck drivers. Since most grain transportation in Brazil is conducted using trucks, the program is aimed at improving the working environments of truck drivers.

It also has a platform available, through which it provides opportunities to learn about safety measures by means such as podcasts. While the platform involves access restrictions for some positions, it can be used freely by other employees. In addition, through its own programs, it supports the development of the region through efforts such as supporting family farms, providing management-related guidance, and supporting economically disadvantaged families.

## **The Company's Views on Brazilian Societal Issues**

The company understands the societal problems (human rights issues) that Brazil is facing. On the other hand, reports by media outlets found abroad sometimes involve irregular cases or contain excessive expressions, and there are no particular human rights issues present within the scope of the company's direct involvement. However, due to the extensive range of the supply chain, certain challenges do exist, and continuous improvement is thus required. Since many companies have recently established sustainability-related departments, many companies use the company's risk maps as guides in their own risk management. In Brazil, where cases of forced labor had also been identified in the soybean supply chain, the risks are currently considered particularly high within the grape and cocoa industries. The risk of the occurrence of forced labor is low on large farms due to increasing mechanization, but the possibility of such occurrences is still possible on small farms. Racism and gender-based discrimination are also recognized as problems, and efforts are required to solve these problems.

## **Introduction of Grievance Mechanisms and Remedies**

International standards call for the introduction of grievance mechanisms and the company has also been taking responses in this respect. The company has established a contact point for not only in-house workers, but also for outside producers and truck drivers, as well as a contact point for consultation that is available exclusively to women. Contact points are operated by a third-party organization. When a complaint is filed, it is forwarded to the relevant department. Workers can make reports anonymously, but they can also file complaints using their real names. Any problems that can be solved are dealt with at the company. If the problem is difficult to solve, reports are issued to the labor union and the police. In addition, in cases where the necessary documents have not been readied, fact-checking is carried out using documents and, in some cases, on-site investigations are carried out.

## **(6) Collector and Exporter C**

### **Basic Information**

A global agribusiness company. The company handles raw materials such as grain, sugar, coffee, and cotton. It operates in 14 ports worldwide and has a soybean export terminal in Brazil.

### **Initiatives for Sustainability**

The company aims to integrate sustainability into its daily business activities and is keenly aware of its responsibility as a company standing between the producers and consumers of agricultural products. As part of this effort, the company has set a target of zero deforestation by 2025 and is making concrete efforts to achieve this goal.

The company is actively working to reduce greenhouse gas (GHG) emissions and has set targets based on the Science Based Targets initiative (SBTi). Especially, it has already exported zero-deforestation soybeans to China, and has succeeded in building a sustainable supply chain. (Mass Balance Assumption)

In order to reduce the environmental impact of transportation, the company is promoting fuel changes, and truck fuel has been switched from diesel to natural gas, thereby contributing to GHG reductions. It also provides technical assistance to suppliers, thereby supporting sustainable initiatives. As a result of these activities, the company has received the highest rank in the industry in terms of external ESG ratings.

### **Structure of the Company's Sustainability Department**

The company has a sustainability team that consists of 20 people worldwide, which includes 13 in Brazil. There is a director based in Geneva, which leads the responses undertaken in relation to Regulation on Deforestation-free Products (EUDR) in Europe. In Brazil, businesses are operated separately in the grain, coffee, sugar, and cotton sectors. The sustainability department plays a vital role in business, but a lack of understanding of this is problem both inside and outside the company. Environmental and social impacts are monitored in every region where business is conducted. The company believes that it is important to spread knowledge about sustainability by engaging with more people in cooperation with agricultural cooperatives and others.

### **Risk Analysis Undertaken by the Company**

Risks associated with business activities are carefully analyzed and appropriate countermeasures are taken. While mechanization is advancing within the soybean industry, there are problems arising with respect to the rights of indigenous people, meaning that careful responses are required. In Brazil as a whole, intermediaries called “gatos” exist, which are involved in facilitating non-regular employment. As such, attention must be paid to legal compliance and working environments. In relation to these issues, the company is promoting responsible business management while seeking sustainable solutions.

### **Achieving Zero Deforestation and EUDR Compliance Efforts**

Zero deforestation in relation to exports to China was achieved. Several important measures were taken to achieve this goal. The main method for that consists of purchasing directly from producers, which serves to clarify the source of the supply and guarantees that the company is not involved in deforestation. To address the numerous distribution-related challenges involved in becoming EUDR-compliant in Brazil, tests are currently being conducted to ensure EUDR compliance when it comes to exports from Brazil and Argentina. In addition, the company has begun auditing its suppliers to ensure compliance with EUDR standards. Data from harvest sites shows that in 98% of cases, EUDR compliance is being ensured. The challenge, however, is ensuring transparency in terms of distribution. Specifically, in order to ensure the rational transportation of mass-produced agricultural products, soybeans become mixed in country elevators which are used to bring them in from farms or in warehouses which are used for reshipment via railways. The distribution system that is involved also results in soybeans getting mixed together and stored in warehouses at export ports. In order to address this issue, the company is working on strengthening traceability by thoroughly checking audit reports. In particular, audits need to be carried out when intermediaries are involved to ensure that there is no supply coming from farmhouses that are involved in deforestation. While all business processes are subject to audits conducted through third parties, many of the audits are conducted in the formats consisting of interviews, and the measures to be taken are considered after the risk identification process is completed. Suppliers are also required to have their own policies, and efforts are being made to build sustainable supply chains.

### **Responses and Efforts in Terms of Human Rights Issues**



The company focuses on human rights issues in the supply chain. As part of it, it uses the Lista Suja (or “Dirty List” in English, which is published by the Brazilian government) to monitor issues mainly related to forced labor. This list includes violations such as excessive working hours and lack of adequate rest periods. When the government receives a report from a worker, it notifies the employer and asks them to take corrective action, such as the payment of a retirement allowance. There are even cases which go to court after that. The company has also set up a hotline for reporting, and has a system in place where when a report is made, the situation is first investigated and, if necessary, efforts are made to resolve the issue related to the report.

## **(7) Collector and Exporter C**

### **Basic Information**

Founded 20 years ago, the company is a global agribusiness and food company operating in 4 segments: agribusiness, refined and specialty oils, milling, and sugar and bioenergy. The company's operations cover the entire value chain spanning from agricultural production to consumers. It is active in the areas of agriculture and food and ingredients, operating in 40 countries, with 300 sales offices and 23,000 employees. In the grain market, the company is considered to be the largest in the world in terms of scale and handling volumes when it comes to crushing<sup>1</sup>. In South America, the company is involved in pressing and refining soybeans.

### **Sustainability Strategy and Structure**

The company's sustainability department has 6 members in the US headquarters, 13 to 14 in Brazil, and 20 across South America, as well as a team dedicated to the protection of human rights.

To achieve sustainable growth, the company is promoting the following three major initiatives.

- (1) Environmental protection: Reduce GHG emissions by 25% by 2030
- (2) Sustainable purchasing: Traceability and responsible procurement across the supply chain
- (3) Ensuring responsibility and traceability: Publication of reports to enhance transparency

## **(8) Investment Management Company (Supply Chain Construction)**

### **Basic Information**

The company is making investments for the purpose of ensuring a stable supply of grain to Japan. It was established in January 2015. Its main operations consist of the consideration of investment targets for the establishment of grain supply chains, the business management and improvement of corporate value of existing investment targets, and the supply of Brazilian grains and oilseeds to Japan in a flexible and competitive manner.

### **Agricultural Business Conditions in Brazil**

Brazil's vast land area and warm climate make it possible to undertake double cropping, wherein corn is produced after the soybeans are harvested. China is the largest export market for soybeans, with Japan accounting for 15-25% of the total. Traditional soybean production area is located in the south, which is derived from the settlement area of European immigrants. Meanwhile, over the past 10 years, soybean and corn production has increased rapidly, especially in the mid-west of the country (Mato Grosso, etc.) and in the MATOPIBA region (northeast). In particular, soybean production has increased 3-fold over the past 20 years. Santos is the main export port, with shipments coming from Mato Grosso, a major soybean production area.

## **4. ASSC's Summary of Issues and Remarks Regarding the Future**

While grain exports from Brazil are expected to increase, issues remain regarding the traceability of grain in Brazil. When it comes to the stage where grain is transported from farms to inland collection facilities and stored in warehouses, it is difficult to trace back to individual farms since mixing cannot be avoided. In addition, due to market fluctuations, farmers do not always ship to the same place, and shipping destinations may change. When

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<sup>1</sup> Crushing is a processing process in which oilseeds (such as soybeans and rapeseed) are crushed and pressed into oil and meal (oil cake).

it comes to export contacts, is necessary to enter into flexible contracts which allow for shipment to take place from any port. Strategic investments made by various companies are expected to continue in order to stabilize the grain supply to Japan. It is, however, important to make efforts towards respecting human rights and to strive to improve transparency of the supply chain when making investments. The ASSC would like to suggest that Japanese companies which import soybeans from Brazil would benefit from ascertaining and actively disclosing details on the activities of local collectors and exporters. In addition, the Ajinomoto Group is requested to strengthen cooperation with its business partners and deepen the understanding of related parties about policies and sustainability.

## **V. ASSC's Recommendations to Ajinomoto**

Through this investigation, the human rights situation in the soybean supply chain was confirmed. Much of the Brazilian soybean supply chain has been mechanized to reduce the risks involved in manual labor, such as risks in terms of occupational health and safety. Also, it was felt that appropriate controls were being implemented through the efforts made by companies. In particular, it is believed that major grain companies (collectors and exporters) are promoting their own sustainability activities and contributing to reducing human rights risks in Brazil. On the other hand, at present, there are few direct approaches being made and active activities being undertaken in relation to local supply chains by the Japan side for reducing human rights risks. We do believe, however, that risks can be reduced further by having concrete action undertaken by the Japan side, which is a consumer country, to facilitate efforts such as the improvement of the transparency of supply chains and the fostering of mutual understanding.

Once again, human rights risks in Brazil's soybean supply chain have been gradually mitigated through mechanization and other such measures. However, when it comes to particulars, problems do still remain, such as those in terms of the occupational health and safety of truck drivers, the expropriation of land such as that belonging to indigenous people (land utilization problems), and in terms of the gatos which are active during the harvest season. As mentioned previously, Japanese companies as a whole should work to increase their presence when it comes to human rights initiatives and further promote activities that serve to contribute to business and human rights. With that in mind, the ASSC believes that this visit-based investigation did constitute a good opportunity (for those conducting the visit) to think about what Japanese companies should be doing.

While the activities of the Ajinomoto Group are seeing progress take place year by year, we would like to propose that the Group continue to get many stakeholders involved and indicate the direction which should be taken in terms of activities related to business and human rights, as well as promote human rights due diligence in terms of individual companies and promote activities undertaken through cooperation with NGOs and other organizations (in order to solve issues that are being faced). Activities taking place within the scope of individual companies are necessary as a foundation for activities related to business and human rights. Cooperation with other companies, however, is necessary to mitigate human rights risks throughout the supply chain.

It is our hope that dialogue with stakeholders regarding human rights risks will continue on into the future, that practical solutions will be taken in a step-by-step manner, and that the best solutions will be selected from among various solutions.