

CJ CHEILJEDANG
SUSTAINABLE RAW MATERIAL
SOURCING POLICY



Our Approach to Sustainable Sourcing

CJ CheilJedang is a top global food and bio company that strives to win the hearts of our customer with the transformation and innovation embedded in our DNA. We are spreading healthy, joyful, and convenient lifestyle across the world while striving to create sustainable lives and promote the health of the planet. In particular, we will enhance sustainability and traceability of raw materials and provide healthy and safe products. We aim to contribute to the country by creating top value through our OnlyOne products and services.

The following is CJ CheilJedang's approach to sustainable sourcing.

We make products using raw materials from all around the world, and our products are used by a variety of people and animals around the globe. These raw materials come from farms and forests. Therefore, we try to reduce their impact on the environment by supplying raw materials in a safer and more stable way, and this is an essential element for sustainable growth in the future.

In particular, forests are sole carbon storages that mitigate climate changes and are deemed to be the lungs of the Earth that intake carbon dioxide and release oxygen. At the same time, they prevent soil erosion and serve as habitats for wildlife and provide livelihoods for around 1.6 billion people. Reckless deforestation can have devastating effects on agriculture, climate change, ecology, animals, and humans. Accordingly, we strive to understand the potential impacts of deforestation and root them out while implementing our business activities.

Additionally, agriculture is closely related to food security, food safety, environmental protection, and animal welfare. Through the implementation of sustainable agriculture, we seek to strengthen our adaptability to other natural disasters including climate change, extreme weather events, droughts, and floods in pursuit of a sustainable food production system. We address the issues of ecosystem conservation and greenhouse gas reductions through applying optimized farming methods, such as using appropriate fertilizers and water.

As the first step for this effort, we established a sustainable raw material sourcing policy. We selected core raw materials based on its positive and negative impact that may bring about harms in the agricultural sector (the degree of impact on the environment and purchase volume).

This policy illustrates the current state and our approach of sourcing, including the background for sustainable sourcing of each raw material, such as sugar, corn, soy, palm oil, rice, eggs, and fishery products. Furthermore, we strive to enhance animal welfare and protect biodiversity so as to present a way to maximize sustainability in the agricultural, livestock and

fishery industries. This policy is intended for CJ CheilJedang and its existing suppliers, and the applicable scope shall continue to expand.

We have introduced the sustainable raw material sourcing policy for the first time in 2019, and we continue to develop it to employ a comprehensive policy related to sustainability.

1. Sugar

Sugar is one of the major raw materials utilized for both food and non-food products manufactured by CJ CheilJedang. We started sugar business and founded sugar plant (CheilJedang) in 1953, supporting the national policy of increasing the self-sufficiency rate of basic household goods to reduce the reliance on the imports and increase domestic supply of such products.

As the top sugar manufacturer in Korea, we has expanded the scope of the use of sugar as an ingredient for food as well as processed food and bio products.

An extensive use of sugar is linked to various issues, including the devastation of forests, the shortage of water resources and human rights. With a variety of partnerships, we put our efforts in supplying raw materials in a sustainable manner. In overseas business sites, we carry out origin-based production for the mitigation of environmental impact. For instance, in our Bio business site in Brazil, we established a plant in a sugarcane-producing area, minimizing the range of logistics and thereby reducing the impact on the environment. Such effort not only contribute to decreasing environmental impact but also creating jobs for local community.

1) Commitment

Harvesting sugarcanes for sugar production causes a variety of environmental impacts. In particular, the reckless use of chemical fertilizers undermines the sustainability of soil, while the use of resources leads to the devastation of forests. In order to resolve these environmental issues, we will set and implement proper environmental impact policies for each sourcing country and raw material.

2) Scope

The sustainable sourcing policy applies to all raw materials and countries where such products are produced and sold. We mainly source sugar from Australia, Thailand and Brazil. We are now sourcing sugar from part of these regions in a sustainable way and planning to expand this scope.

- Sugar (Australia)

CJ CheilJedang employs a sustainable method for sourcing sugar produced in Australia. Our supplier QSL(Queensland Sugar Limited) participates in the Smart cane BMP(Best Management Practice) program for pursuing sustainable growth, with concerns for the protection of soil and ecosystem.

The company also benchmarks global companies equipped with a sustainable platform, and tries to establish a sustainable sugar production policy.

3) Others

- Organic sugar

We use organic sugar from sugarcane cultivated without the use of chemical fertilizers and pesticides and processed without the refining and bleaching processes. We strictly control the use of pesticides and chemical fertilizers to contribute to reducing the environmental impact on soil.

- Other sweeteners

We are now encouraging our starch sugar suppliers (hydrous glucose, maltodextrin) to receive the SMETA¹ certification to build a fair and ethical global value chain. We continuously try to help our suppliers obtain the certification.

2. Corn

Corn is also one of our major raw materials utilized for manufacturing bio products, animal feeds(for swine, cattle, poultry, etc.) and food(fructose, starch and starch syrup).

Corn is popular food source as it grows well on barren soil and has high output per unit area. However, it exhausts the soil fertility and cannot be cultivated repetitively. Therefore, corn is a crop that could harm the environment which could cause natural disasters for its exhaustive soil consumption and excessive use of chemical fertilizers.

1) Commitment

In order to respond to environmental issues caused by corn production, we will expand the range of farmland using sustainable methods and source the raw material in a way of reducing the devastation of forests. In particular, we put efforts in enhancing the sustainability of soil by reducing the use of chemical fertilizers.

¹ SMETA: Sedex Members Ethical Trade Audit

2) Scope

We plan to apply this policy to all corns we source, but the policy is currently applied only to corn produced in the U.S. We will try to expand the application of the policy in the future.

3. Soy

Soy is a key raw material used in food and bio production of CJ CheilJedang. It is utilized in producing SPC (Soy Protein Concentrated), soybean oil, paste, tofu, and bean sprout products. In line with the increased demand for vegetable protein owing to the global growth of protein market, sales increase in SPC and fermented soybean meal products and globalization of Korean products, it is expected that the use of soy as raw material of our products will gradually expand.

Soybean helps recover the productivity of soil including nitrogen and makes soil fertile. It is one of the most important sources of protein around the world, which is used for the wide range of purposes in producing food and non-food products. It is largely grown and harvested in the temperate and tropical regions. We source soybeans produced in the U.S. and South America.

1) Commitment

With a growing number of global population (expected to reach 11.2 billion by the year 2100), the demand for meat and other animal protein is forecast to increase, and so is the demand for soybeans. Rash harvesting of soybean will cause global deforestation and trigger further serious disasters due to climate change. On the basis of a mid- to long-term roadmap, we will purchase deforestation-free² Brazilian soybeans and promote Amazon biome-free³ by 2024. We prefer to purchase Pro-Terra⁴ certified soybeans that do not destroy Brazil's forests and also have a plan to expand various relevant policies, such as providing seeds and funds to farmers.

² Deforestation-free: Zero purchase of soybeans grown in deforestation farms

³ Amazon-Biome free: Zero purchase of soybeans grown in the Amazon ecoregion

⁴ Pro-Terra Certification: Issued upon meeting sustainable and traceable standards based on compliance with the ten principles including compliance with law, respecting human rights, building responsible relationships with local community and workers, conserving biodiversity, environment/waste policy, water management, greenhouse gas and energy management, and non-use of GMOs.

CJ CheilJedang sources soybeans with the certification of RTRS⁵ and US Sustainable Soy⁶ from the U.S, and is planning to expand the ratio of soybeans with such certification.

2) Scope

Our sustainable raw material sourcing policy is designed to be applied to all soybeans we source, but we currently have the sustainable sourcing certification only for soybean oil, paste, and organic tofu products, and SPC.

[For internationally sourced Soy]

- Soybean for soybean oil (U.S.)

CJ CheilJedang sources raw materials with RTRS certification for sustainable sourcing of soybean for soybean oil. We will increase the use of RTRS-certified soybean.

- Soybean for paste (U.S.)

For producing paste products, we directly import soybeans produced in the U.S. with the certification of US Sustainable Soy issued by the U.S. Soybean Export Council. We will achieve 100% in the ratio of certified raw materials.

- Soybean for SPC (Brazilian)

We place priority on deforestation-free materials when sourcing Brazilian soybeans. We procure Pro-Terra-certified raw materials and we are now reviewing to adopt MRV (Monitoring & Reporting & Verification system) through a third-party certification/verification agency, with a view to expanding sustainable usage of soybean.

[For Korea sourced Soy]

- Bean for tofu (Korea)

Beans that we source produced in Korea are used in making CJ Happy Bean Tofu. Among the varieties distributed by the National Institute of Crop Science, we use Daewon (80%) as well as Daepung (0.7%), Jinpung, Seonpung (3.8%), and Daepung No. 2, contributing to the protection of native varieties and the conservation of biodiversity.⁷

⁵ RTRS: Round Table Responsible Soy

⁶ US Sustainable Soy: Granted to soybeans produced in farms that comply with rules for environmental protection and sustainability

⁷ ① Daewon (Suwon No. 181), ② Daepung (Suwon No. 215), ③ Daepung No. 2, ④ Jinpung (Miryang No. 216),

- Bean for Sprout (Korea)

We also developed 'CJ Happy Bean No. 1'⁸, our own bean variety for sprout products, and are now applying it to our products. This helps us protect the sovereignty of variety and increase the productivity of farms. We purchase beans through contract cultivation and directly buy carefully selected raw materials, shortening the transport distance of agricultural raw materials.

In order to prevent soil pollution, we manage residual pesticides exceeding the legal threshold as well as pesticide control complying with PLS⁹ and minimize the use of chemical fertilizers and prevent excessive use of them by conducting a fertilizing training program¹⁰ for farms.

4. Palm Oil

Palm oil is one of the key raw materials used in both food and non-food products produced by CJ CheilJedang, particularly in biodiesel and B2B cooking oil products.

Palm oil is a soil-efficient crop that contributes to creating economic performance (business growth). A reckless sourcing of palm oil may decrease the economic outcome, destroy forests, cause climate change, and lead to a loss of biodiversity. Considering such a potential impact, we will try to achieve sustainable production of palm oil, protecting the environment for the future.

1) Commitment

As a sustainable approach in palm oil procurement, CJ CheilJedang joined the membership of RSPO¹¹. We sourced general palm oil produced in the traditional way and purchased the credit sold by producers that produce palm oil through legal procedures, indirectly providing financial support to RSPO's projects and activities

⑤ Seonpung (Miryang No. 231), developed by the National Institute of Crop Science

⁸ CJ Happy Bean No. 1: CJ CheilJedang's own variety developed by its food R&D center, which enables mass-harvest and mechanization, contributing to increasing agricultural competitiveness.

⁹ PLS: Positive List System, a system designed to strengthen the safety management of pesticides, which sets and manages the threshold of residual pesticides allowed by the relevant regulations while controlling the use of other unapproved pesticides

¹⁰ Manure and fertilizer training

¹¹ RSPO: Roundtable on Sustainable Palm Oil, Sustainable palm oil association

for sustainability. Henceforward, we plan to purchase palm oil certified by Mass Balance (MB), a more advanced direct certification.

We actively abide by the following principles specified by RSPO

- Protect human rights and labor rights of workers
- Restrict the reckless destruction of forests
- Minimize soil, air and water pollution
- Increase the efficiency of the use of resources including soil and energy

2) Scope

Currently, our palm oil is mainly used for B2B cooking oil products where the RSPO credits are applied to 20-50% of the annual volume (exclusive of 2020). From now on we are going to purchase MB certified palm oil, in other words the directly certified palm oil (Mass Balance; MB certification, sustainability management from palm oil production, refining to distribution).

5. Rice

Rice is an essential raw material in producing CJ CheilJedang's food products. Rice is the staple food of Korea and one of the largest volume yield crops. We launched 'Hetbahn' in 1996 and have gradually expanded the volume of rice we purchase. While the consumption of rice per capita is declining due to changes in diet, the demand for processed food using rice is growing. Since the demand for 'Hetbahn' is also going up, we are trying to strengthen the competitiveness of rice farms considering our responsibility for the sustainable production of rice, and address various social and environmental issues caused in the process of rice production.

1) Commitment

For the sustainable sourcing of rice, CJ CheilJedang works to reduce the environmental impact based on activities for the mutual growth with rice farms.

In order to prevent soil pollution that may be triggered by an excessive use of pesticides in rice production, we manage residual pesticides exceeding the legal threshold as well as pesticide control complying with PLS, and minimize the use of chemical fertilizers and prevent excessive use of them by conducting a fertilizing training program for farms. Rice naturally requires larger amount of water compared to other crops. Therefore, to protect water resources, we utilize natural streams for most agricultural water resources, while minimizing the use of underground water to protect water resources.

We also develop and commercialize distinctive seeds to ensure the sovereignty of variety and protect biodiversity, while directly purchasing raw materials through contract cultivation to shorten the transportation distance and procurement cost of agricultural raw materials. With these efforts, we will continue to protect soil, water resources and biodiversity for sustainable rice production with minimized environmental impact.

2) Scope

We utilize rice in producing processed rice products and paste. This policy currently applies only to processed rice products.

- Rice for processed rice products

CJ CheilJedang conducts contract cultivation for the stable production of quality raw materials. Through contract cultivation, we directly source rice from producers, shortening the distance for the transportation of agricultural raw materials. We procure rice from our major supplier, also with contract cultivation and we will continue expanding the ratio of this method.

- Organic rice

On the basis of the following principles, we use rice with the organic certification and purchase organic raw materials to ensure the restricted use of pesticides, contributing to the protection of soil, the production of organic raw materials, and the conservation of biodiversity.

- ① Purchase organic agricultural products grown without the use of organosynthetic and chemical pesticides from two years prior to the sowing and planting stage.
- ② Receive the organic certificate of raw materials from producers in the warehousing process and run the management standards stricter than the relevant laws and regulations.
- ③ Conduct the sampling inspection of products and production processes, limited to farms and products certified by the government.

6. Eggs

In order to meet the expectations of consumers for animal welfare and provide healthier and safer food products, CJ CheilJedang sources raw materials that conform to the animal welfare principles.

We source eggs from producers with tightened animal welfare standards and sell products using such materials, providing safe food that consumers can consume without worries.

1) Commitment

CJ CheilJedang declared the animal welfare principles as follows.

- CJ CheilJedang Animal Welfare Declaration
We comply with the five principles of animal welfare.
* Five Principles of Animal Welfare *
 - ① Freedom from hunger and thirst
 - ② Freedom from environmental or physical discomfort
 - ③ Freedom from pain, injury or disease
 - ④ Freedom to express normal behavior
 - ⑤ Freedom from fear and distress

CJ CheilJedang sources eggs produced based on the stricter animal welfare standards, which have the following features.

- Eggs produced in farms with an animal welfare certification
- Eggs hatched by hens grown in a pleasant, healthy and stress-free Environment
- Eggs with the certifications of zero-antibiotics, HACCP¹² and LOHAS¹³

1) Scope

We currently apply the policy to part of egg products, and are planning to gradually expand the ratio of such products.

¹² HACCP: Hazard Analysis Critical Control Point system

¹³ LOHAS: Lifestyles of Health and Sustainability

7. Fishery products

Fishery products are key raw materials used in food production of CJ CheilJedang. With the aim of meeting the customers' diverse needs, we produce a variety of products using fishery products including shrimp, abalone, pollack and mackerel where the volume of procurement thereof has been constantly increasing accordingly. Fishery products are abundant natural resources inhabiting the sea. In this respect, we need to care about protecting them, preserve their habitats, protect marine environment and moreover sustain the lives of those who depend on fisheries to become responsible for sustainable fishery products. Based on this, CJ CheilJedang is solving various social and environmental problems that occur when sourcing fishery products.

1) Commitment

For sustainable sourcing of fishery products, CJ CheilJedang continuously monitors using a specific tool¹⁴ to measure the social and environmental impacts by each fishery product and country of origin. Based on the risk analysis, we plan to reflect the potential risks embedded in country of origin and raw materials in our procurement decisions.

In addition, we are securing the sustainability of fishery products around the world in an effort to respond to overfishing and resource depletion in the entire value chain. These efforts are aimed at acquiring MSC certification for maintaining sustainable fishery volume and minimizing the negative environmental impacts, which will gradually expand onwards.

2) Scope

In principle, the sustainable raw material procurement policy is applied to all fishery products we source. Currently, mackerel and pollack tenderloin are MSC-certified, and our efforts to expand the applicable scope will continue.

14 IFC GMAP Tool: Global map that indicates supply chain risks in producing fishery products

[Appendix. 2020 Performance by Raw Material]

| Raw material | Country of origin | Efforts and certification for sustainability | Performance in 2020 | Note |
|-----------------------|----------------------|--|---------------------|---|
| Sugar | Australia | Participation in the Smartcane BMP | 54% | |
| Organic sugar | Thailand | Organic processing | 100% | |
| Starch sugar | China | SMETA | 61% | For supplier |
| Soybean (soybean oil) | U.S. | RTRS | 100% | |
| Soybean (paste) | U.S. (direct import) | US Sustainable Soy | 100% | |
| Soybean (SPC) | Brazil | ProTerra | 42% | |
| Palm oil | Malaysia | RSPO | 0% | In order to switch to MB (Mass Balance) certified palm oil, we exhausted existing inventory in 2020. So we don't have performance in 2020 |
| Rice | Korea | Contract cultivation | 60% | |
| Eggs | Korea | Animal welfare | 4% | |
| Seafood (merlan) | U.S. | MSC | 9% | |
| Seafood (mackerel) | Norway | MSC | 46% | |

[Attachment. Document Summary]

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|-------------------------------|--|
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