

CJ CHEILJEDANG SUSTAINABLE RAW MATERIAL SOURCING POLICY

Our Approach to Sustainable Sourcing

CJ CheilJedang works to create shared values for both enterprises and society in the fields that need social interest, thereby contributing to the growth of society, with the aim of growing into a global lifestyle company.

CJ CheilJedang's business management activities are based on its founding philosophy 'Business Patriotism', believing that a company should contribute to an enhanced social economy and healthier life for people which eventually server for society. As the top general food company in Korea, we operate our business to enrich the health and well-being of our customers, while fulfilling our corporate responsibilities through sustainable environment-based management. We will expand our scope of business to the global arena, promoting a remarkable growth.

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. 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.

The first step for this effort was to establish a sustainable raw material sourcing policy.

We selected core raw materials based on the potential of positive impact in the agricultural sector (the degree of impact on the environment and purchase volume).

This policy illustrates the current state of our sourcing and approach, including the background for sustainable sourcing for each raw material, such as sugar, corn, soy, palm oil, rice and eggs. We strive to promote animal welfare and protect biodiversity, by presenting a way to maximize sustainability in the agricultural, livestock and fishery industries.

We have introduced the sustainable raw material sourcing policy for the first time in 2019, and we will continue 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 stepped into the domestic sugar industry by founding a sugar plant (CheilJedang) in 1953, complying with the national policy for increasing the self-sufficiency rate of basic household goods, while the country was completely reliant on imports for such products at that time.

As the top sugar manufacturer in Korea, we are expanding the scope of the use of sugar as an ingredient for food as well as processed food and a major source for providing carbon in the fermentation-based business.

An extensive use of sugar is connected to various issues, including the devastation of forests, the shortage of water resources and human rights. With a variety of partnerships, we try to create more jobs for local communities by carrying out country-of-origin-based production in some overseas business sites to contribute to sustainable raw material production. 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.

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 generally source sugar produced in 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 Smartcane BMP (Best Management Practice) program for pursuing sustainable growth, with concerns for the protection of soil and ecosystem. The company also utilizes global companies equipped with a sustainable platform as the benchmark, and tries to establish a sustainable sugar production policy by 2020.

– Sugar (Brazil)

CJ CheilJedang employs a sustainable method for sourcing sugar produced in Brazil. In particular, we source the raw material with the certification of Bonsucro, a nonprofit organization as a global stakeholder that makes efforts to reduce the environmental and social impact of sugarcane production.

The following are the key principles of Bonsucro.

- Obey the law
- Respect human rights and labour standards
- Manage efficiency to improve sustainability
- Manage biodiversity and ecosystem
- Continuously improve

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. By strictly controlling the use of pesticides and chemical fertilizers, we 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 maintain a fair and ethical relationship with suppliers. We constantly try to help our suppliers obtain the certification.

2. Corn

Corn is one of the key raw materials traded around the world. It is also one of our major raw materials utilized for manufacturing both food and non-food products for animal feed, fructose, starch and starch syrup. In particular, it is expected to be constantly used as a key raw material that provides carbon in the fermentation-based business.

Corn grows well in barren soil and its output per unit is high, so that it can be highly used as a food resource. On the other hand, it is impossible to repeatedly cultivate the crop due to its high consumption of soil productivity that causes natural disasters. It can also harm the environment due to the excessive use of chemical fertilizers.

¹ SMETA: Sedex Members Ethical Trade Audit

1) Commitment

In order to respond to environmental issues caused in corn production from the perspective of sustainability, 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 try to stop undermining the sustainability of soil caused by the use of chemical fertilizers.

2) Scope

We hope 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 production of CJ CheilJedang. It is utilized in producing soybean oil, paste, tofu, and bean sprout products. Its use will be expanded as CJ, as a global lifestyle company, will step into the global market for the globalization of Korean food.

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. The reckless harvest of soybeans causes the devastation of forests and even damages the natural vegetation in Cerrado and Amazon in South America

In order to avoid such an adverse impact and source the raw material in a sustainable method, CJ CheilJedang sources soybeans with the certification of RTRS² and US Sustainable Soy³ from the U.S, and is planning to expand the ratio of soybeans with such certification.

² RTRS: Round Table Responsible Soy

³ US Sustainable Soy: Granted to soybeans produced in farms that comply with rules for environmental protection and sustainability

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.

[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.

- Organic bean (Australia)

We use organic-certified beans in producing tofu products. We source organic beans from farms in Australia. Beyond a simple purchase of raw materials, those engaged in the transport and warehousing of them also have organic certification, reducing the environmental impact throughout the entire value chain.

[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.⁴

- Bean for Sprout (Korea)

We also developed 'CJ Happy Bean No. 1'⁵, 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

⁴ ① Daewon (Suwon No. 181), ② Daepung (Suwon No. 215), ③ Daepung No. 2, ④ Jinpung (Miryang No. 216), ⑤ Seonpung (Miryang No. 231), developed by the National Institute of Crop Science

⁵ 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.

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 PLS⁶ and minimize the use of chemical fertilizers and prevent excessive use of them by conducting a fertilizing training program 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 very 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 part of its sustainable palm oil sourcing approach, CJ CheilJedang joined the membership of RSPO⁷. We source general palm oil produced in a traditional way and buy the credit sold by producers that produce palm oil through legal procedures, indirectly providing financial support to RSPO's projects and activities for sustainability. We will constantly expand the use of RSPO-certified palm oil.

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

We use palm oil to produce biodiesel and cooking oil. The current policy applies to cooking oil.

5. Rice

⁶ 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

⁷ RSPO: Roundtable on Sustainable Palm Oil, a consultative body for sustainable palm oil

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. To protect water resources against the use of larger amount of water compared to other crops, 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.

- 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 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, HACCP⁸ and LOHAS⁹

⁸ HACCP: Hazard Analysis Critical Control Point system

2) Scope

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

[Appendix. 2018 Performance by Raw Material]

Raw material	Country of origin	Efforts and certification for sustainability	Performance in 2018	Note
Sugar	Australia	Participation in the Smartcane BMP	49%	
Sugar	Brazil	Bonsucro	50%	
Organic sugar		Organic processing	100%	
Starch sugar		SMETA	64%	Supplier
Soybean (soybean oil)	U.S.	RTRS	100%	
Soybean (paste)	U.S. (direct import)	US Sustainable Soy	100%	
Palm oil		RSPO	43%	
Rice		Contract cultivation	22%	
Eggs		Animal welfare	Animal Welfare Fertile Egg, 10-egg and 12-egg cartons	