

F0. Introduction

F0.1

**(F0.1) Give a general description of and introduction to your organization.**

Kao. The Company is a Japan-based company that operates through two business segments: Consumer Product and Chemical. The Consumer Product segment has three divisions. The Cosmetic Business provides cosmetics such as lotion, foundation and lipstick. The Skin Care and hair Care Business offers premium skincare products such as face washes, as well as premium hair care products including shampoos, hair styling products and hair colouring products, among others. The Human Health Care Business provides food and beverage products such as drinks ; sanitary products including hygiene products and paper diapers, as well as personal health products such as bath additives. The Fabric and Home Care Business offers fabric care products including detergents for apparel use, and home care products including detergents for kitchen use. The Chemical Business provides oil and fat products such as fatty acids; functional materials products such as surface acting agents and additives for plastic use, as well as specialty chemical products such as essences, among others.

The Cosmetic Business accounted for 20.1% of total turnover in fiscal 2019; The Skin Care and hair Care Business,22.7%; The Human Health Care Business,17.0%; The Fabric and Home Care Business, 22.7%; and The Chemical Business,16.3%. The Company reported JPY 1,502.2 b in revenues and 33,603 permanent employees at December 31, 2019.

F0.2

**(F0.2) State the start and end date of the year for which you are reporting data.**

	Start Date	End Date
Reporting year	January 1 2019	December 31 2019

F0.3

**(F0.3) Select the currency used for all financial information disclosed throughout your response.**

JPY

F0.4

**(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on. For each forest risk commodity selected, identify the stages of the supply chain which best represents your organization's area of operation.**

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Manufacturing	<Not Applicable>
Palm oil	Disclosing	Manufacturing	<Not Applicable>
Cattle products	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Soy	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Coffee	Not disclosing	Manufacturing	Kao purchases, processes and sells coffee however, we consider coffee brings negligible impact on our business, because coffee contributes less than 1 percent of Kao's revenue.

F0.5

**(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?**

No

F1. Current state

## F1.1

---

### (F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

#### Timber products

##### Activity

Using as input into product manufacturing

##### Form of commodity

Pulp  
Paper  
Boards, plywood, engineered wood  
Primary packaging  
Secondary packaging  
Tertiary packaging

##### Source

Trader/broker/commodity market  
Contracted suppliers (manufacturers)

##### Country/Area of origin

Canada  
China  
Germany  
Japan  
New Zealand  
Taiwan, Greater China  
Thailand  
United Kingdom of Great Britain and Northern Ireland  
United States of America

##### % of procurement spend

6-10%

##### Comment

Kao purchases pulp mainly for making our hygiene products, and paper for the packages of our consumer products. We also use plain paper copier at our offices.

#### Palm oil

##### Activity

Using as input into product manufacturing

##### Form of commodity

Crude palm oil (CPO)  
Crude palm kernel oil (CPKO)  
Palm oil derivatives  
Palm kernel oil derivatives

##### Source

Contracted suppliers (manufacturers)

##### Country/Area of origin

Indonesia  
Malaysia  
Thailand

##### % of procurement spend

11-20%

##### Comment

Kao purchases crude palm oil, crude palm kernel oil, palm oil derivatives and palm kernel oil derivatives for use in our Consumer goods and Chemical products including Fatty Acid.

## F1.2

---

**(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.**

	<b>% of revenue dependent on commodity</b>	<b>Comment</b>
Timber products	81-90%	Most of our hygiene products use pulp and papers as major materials. And most of our consumer products use packaging material such as corrugated carton and/or paper box. These products account for around 82% of our total revenue.
Palm oil	81-90%	We purchase Palm and Palm Kernel oil and its their derivatives for many of our consumer products and chemical products for industrial use. Although the content ratio of such commodities per product is limited for our consumer products, they are widely applied as more than 80% of our total revenue is dependent on the products containing palm and palm (kernel) oil derivatives.
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

**F1.5**

**(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?**

	<b>Data availability/Disclosure</b>
Timber products	Consumption data available, disclosing
Palm oil	Consumption data available, disclosing
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

**F1.5a**

**(F1.5a) Disclose your production and/or consumption data.**

**Forest risk commodity**

Timber products

**Data type**

Consumption data

**Volume**

285000

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

**Forest risk commodity**

Palm oil

**Data type**

Consumption data

**Volume**

446000

**Metric**

Metric tons

**Data coverage**

Full commodity production/consumption

**Please explain**

<Not Applicable>

**F1.5b**

**(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.**

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Indonesia

**State or equivalent jurisdiction**

Not disclosing

**% of total production/consumption volume**

**Please explain**

We understand that palm oil mills are located in Indonesia, Malaysia, and Thailand based on information from Tier 1 suppliers. Since Kao mainly buys palm kernel oil from a large number of mills, primary suppliers have not been able to quantify the quantity of palm kernel oil from individual mills.

---

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Malaysia

**State or equivalent jurisdiction**

Not disclosing

**% of total production/consumption volume**

**Please explain**

We understand that palm oil mills are located in Indonesia, Malaysia, and Thailand based on information from Tier 1 suppliers. Since Kao mainly buys palm kernel oil from a large number of mills, primary suppliers have not been able to quantify the quantity of palm kernel oil from individual mills.

---

**Forest risk commodity**

Palm oil

**Country/Area of origin**

Thailand

**State or equivalent jurisdiction**

Not disclosing

**% of total production/consumption volume**

**Please explain**

We understand that palm oil mills are located in Indonesia, Malaysia, and Thailand based on information from Tier 1 suppliers. Since Kao mainly buys palm kernel oil from a large number of mills, primary suppliers have not been able to quantify the quantity of palm kernel oil from individual mills.

---

**Forest risk commodity**

Timber products

**Country/Area of origin**

Any other countries/areas

**State or equivalent jurisdiction**

<Not Applicable>

**% of total production/consumption volume**

50

**Please explain**

---

**F1.6**

---

**(F1.6) Has your organization experienced any detrimental forests-related impacts?**

No

**F2. Procedures**

---

**F2.1**

---

**(F2.1) Does your organization undertake a forests-related risk assessment?**

Yes, forests-related risks are assessed

**F2.1a**

---

**(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.**

**Timber products**

**Value chain stage**

Direct operations  
Supply chain

**Coverage**

Full

**Risk assessment procedure**

Assessed as part of an established enterprise risk management framework

**Frequency of assessment**

Annually

**How far into the future are risks considered?**

> 6 years

**Tools and methods used**

Internal company methods  
External consultants  
Other, please specify (WWF Japan's Responsible Purchasing Checklist for Forest Products)

**Please explain**

As part of our risk assessment for the consistent continuation of our business, Kao identifies the places of origin of all supplied pulp. The existing tools do not provide sufficient information for tracing places of origin. Therefore, we have developed internal company methods to achieve our objectives, including a risk assessment for deforestation for each procurement source (place of origin). Kao's internal company procedure specifies the preferred procurement of certified pulp with identified places of origin. For non-certified pulp, Kao uses WWF Japan's Responsible Purchasing Checklist for Forest Products to evaluate the places of origin, based on suggestions by third-party consultants. This checklist is to consider the environment, society, and economic aspects of forests that produce paper and wood products. We confirm the "traceability" in the supply chain, and the "suitability of management" for the forest. The results is shown in six stages of S,A,B,C,D and E. The checklist is self-filled with the evidence, i.e., a copy of the logging permissions or the results of an environmental assessments. Kao's purchasing staff asks Tier1 supplier to complete this. This checklist allows Kao to independently check wood feedstock for its impact on deforestation, and its effect on society. Kao uses this tool because it is reliable, it was created objectively, and it allows us to comprehensively evaluate Kao's global suppliers using consistent benchmarks. For example, Kao identifies certified forest products, including FSC, as low-risk commodities that have been screened regarding deforestation risks, and chooses preferred suppliers that can supply those certified products however, for the suppliers of non-certified products, investigations are conducted using the WWF Japan checklist. In 2019, the proportion of non-certified products was 9%. Based on the evaluation with the checklist, Kao assess any risks arising from raw materials supplied to Kao in our annual review after evaluating copies of logging permissions and environmental assessments. -Case study: A 2017 survey of Japanese suppliers found that compliance had not been confirmed with environmental laws of origin and social laws for some suppliers. Therefore, we asked the suppliers to switch to certified products along with confirmation of compliance with laws and regulations.

**Palm oil**

**Value chain stage**

Direct operations  
Supply chain

**Coverage**

Full

**Risk assessment procedure**

Assessed as part of an established enterprise risk management framework

**Frequency of assessment**

Annually

**How far into the future are risks considered?**

> 6 years

**Tools and methods used**

Internal company methods  
External consultants  
Other, please specify (Bluenumber, SUSTAIN)

**Please explain**

As part of our risk assessment for the consistent continuation of our business, Kao now identifies the places of origin of all supplied palm oil. The available tools do not provide sufficient information for tracing the places of origin. Therefore, Kao has developed internal company methods, and we use them to evaluate traceability up to the mills. (1) Obtain information on palm oil mills from Tier-1 suppliers (2) Use risk-mapping to identify farms around the mills, and mills with higher potential risks for deforestation (3) Visit those mills to verify their conditions and request improvements The activities in (2) and (3) above are conducted in cooperation with third-party consultants. We had identified 89 high-risk palm oil mills by 2019. We conducted verification of seven high-risk palm oil mills in 2019. We participate in Bluenumber and SUSTAIN (Sustainability Assurance & Innovation Alliance) to confirm the traceability of small farms. We participated in a project in SUSTAIN to create a mechanism for confirming traceability for plantations.

**F2.1b**

**(F2.1b) Which of the following issues are considered in your organization's forests-related risk assessment(s)?**

## Availability of forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for activators contained in detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. Therefore, procurement of those raw materials is extremely vital for Kao. In 2019, Kao formed the TCFD-Adhoc Group under the ESG Committee, including procurement departments and executive directors of the Risk Management Committee. The group examined the procurement potential of Timber and Palm Oil through 2050 based on public information published around the world, based on two climate change scenarios: a 2°C scenario and a 4°C scenario, and a future demand forecast. The survey covers Kao's source of origin (pulp-supplying forests in North America for Timber, palm oil farms in Malaysia and Indonesia for Palm Oil), and the supply chain from the forest to the Kao group's plant. Kao set forests as survey target because forests are vulnerable with natural phenomena such as temperature and precipitation, and because the risk to supply chains would affect procurement activities when climate change triggers natural disasters such as floods. In 2019, Kao investigated the effects of climate change on the yield of forest related commodity (Timber and Palm) in 2030. As a result, there was no significant influence to Kao. However, at the same time, useful information was obtained that procurement risks would become apparent because demand will increase in the future. This report is also reported to Kao's procurement department, the risk crisis management committee, and the ESG committee chaired by the CEO. Kao's ESG Committee decided to conduct an investigation to improve the accuracy of the survey.

## Quality of forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for activators contained in detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. Therefore, the quality of those procured raw materials is extremely vital for Kao. Kao's Procurement Division performs risk management for the quality of forest-risk commodities, under the Quality Management Committee. The Procurement Division uses in-house criteria to identify suppliers with particularly serious quality non conformance. The Division holds a quality improvement meeting with such suppliers, where suppliers and Kao aim to improve quality through an exchange of opinions.

## Impact of activity on the status of ecosystems and habitats

### Relevance & inclusion

Relevant, always included

### Please explain

Kao has put "fundamental procurement policy" in place, which stipulates environmental conservation shall be taken into account in procurement. Kao also upholds advanced initiatives for social issues in mid-long-term management plan, K20. Laundry detergents, one of Kao's major products, use a large amount of palm kernel oil in its active ingredients. Kao's diapers and some packaging materials are mainly made of timber. If forest risk commodities are produced through illegal logging, they will lead deterioration of ecosystems and habitats in the forest. This is a violation against Kao's policy and a critical procurement risk for its businesses. This issue affects the entire value chain. Therefore, this issue is being managed by the procurement division which is under the risk management committee of Kao. When traceability is checked for the supply chain to the forest commodity's production site, it is important to evaluate the impact on ecosystem of the site. To this end, in palm oil, Kao possess a map showing vegetation including palm oil mills and farms which supply palm to mills and use of lands in collaboration with NGOs. Through these activities, it was found that there are many small palm plantations in the first producer of Kao's palm oil, and productivity is not high in these farms. Therefore, Kao decided to start a support program for small palm plantations (Tier-4) in cooperation with a palm kernel oil supplier (Tier-1) in 2019. The detail is under consideration. As the improvement of productivity for palm plantation is effective to prevent the deterioration of ecosystem around the farm, the program is expected to support to maintain the ecosystem.

## Regulation

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for active ingredients contained in laundry detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. When a new regulation is introduced on the procurement of these materials, procurement may become more difficult, or the costs might go up. By closely cooperating with Tier-1 suppliers and NGOs, Kao's procurement managers collect information on new regulations regarding palm oil and paper/pulp, and accumulate this information as internal knowledge. By using such information, the Procurement Division performs risk management related to new regulations affecting forest-risk commodities, under the Risk and Crisis Management Committee.

## Climate change

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for active ingredients contained in laundry detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. These forest-related commodities are critical for Kao's businesses and are significantly affected by climate change. Temperature rise by global warming and water shortage and torrential rain caused by climate change have impact on raising forest-related commodities and have potential risks of an interruption to the supply chain and higher prices in procurement. Kao's ESG steering committee launched a TCFD Adhoc group in 2019 attended by the business units and procurement division and quantitative assessments on the risks in several scenarios on climate are to be made. The results were shared within the business units, procurement division and so on. The information is used in product planning for reducing products using forest-related commodities in the business units and in selecting new suppliers in the procurement division.

## Impact on water security

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for active ingredients contained in laundry detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. These forest-related commodities which are important for Kao's businesses are significantly affected by water security. Risks of procurement are recognized that water shortage and torrential rain affect raising forest-related commodities and cause suspension of the supply change and price hike. Kao's ESG steering committee has launched a TCFD Adhoc group in 2019, attended by the business units and procurement division and is to make assessments on water security in several climate scenarios and carry out quantitative assessments on risks. The results were shared within the business units and procurement division and so on. The information is used to cut forest-related commodities consumption in the business units and select new suppliers in the procurement division.

## Tariffs or price increases

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for active ingredients contained in laundry detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. Therefore, any new tariffs on forest-risk commodities, or increases in their prices, will drive the procurement costs up. By closely cooperating with Tier-1 suppliers, Kao's procurement managers collect information on price forecasts regarding palm oil and paper/pulp. In addition, they constantly watch market price trends in palm oil, and accumulate this information as internal knowledge. By using such information, the Procurement Division identifies and manages situations related to tariffs and prices for forest-risk commodities, under the Risk and Crisis Management Committee.

## Loss of markets

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for active ingredients contained in laundry detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. If Kao uses forest-risk commodities obtained through illegal logging, its brand reputation may be damaged and we may risk being rejected by the market. We accumulate both historical and the latest information on loss of markets, including case studies on other companies. By using such information, the Procurement Division identifies and manages illegal logging situations related to forest-risk commodities, under the Risk and Crisis Management Committee.

## Brand damage related to forest risk commodities

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for active ingredients contained in laundry detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. If Kao uses forest-risk commodities obtained through illegal logging, its brand reputation may be damaged and we may risk being rejected by the market. We accumulate the both historical and the latest information related to brand damage, including case studies on other companies. By using such information, the Procurement Division identifies and manages illegal logging situations related to forest-risk commodities, under the Risk and Crisis Management Committee. Brand damage is directly linked to the loss of markets.

## Corruption

### Relevance & inclusion

Relevant, always included

### Please explain

Malaysia and Indonesia, countries where Kao procures palm oil, are recognized as high-risk regarding forest-related corruption. On the other hand, international regulations against corruption, including the UK Bribery Act and the USA Foreign Corrupt Practices Act, have become stricter than ever. Kao endorses the Global Compact that identifies corruption prevention as one of its principles. In deploying its business globally, Kao recognizes corruption as a challenge concerning the entire value chain. Through the Kao Guidelines for Supplier's Assessment, we require our suppliers to eliminate corruption. The Procurement Division identifies and manages corruption situations related to forest-risk commodities under the Risk Management Committee. As a tool to confirm compliance with the Kao Guidelines for Supplier's Assessment, we use Sedex. If a bribery risk is identified through a Sedex survey, first we investigate the report by conducting an on-site audit, etc. and request the supplier to make improvements. Depending on how serious the problem is, we may immediately suspend transactions or request the supplier to make improvements, with a deadline for compliance. If the supplier has shown no improvement by that deadline, we will suspend transactions with the supplier.

## Social impacts

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for active ingredients contained in laundry detergents, one of Kao's key products, while timber is used for paper diapers and packing materials. In the regions where we procure palm oil and timber as raw materials for our key products, the deterioration of social circumstances related to the forests poses risks to the availability of forest-risk commodity supplies. This deterioration includes forced relocation of the residents, illegal labor, and conflicts with local residents. In particular, Indonesia and Malaysia, from where Kao procures palm oil, have experienced frequent conflicts with local residents during forest development. These regions pose critical risks to us by making stable procurement of raw materials more difficult. Kao recognizes that the social impact related to forest-risk commodities is a challenge concerning the entire value chain. The Procurement Division identifies and manages social situations under the Risk Management Committee. Kao collects information on incidents such as forced relocation of residents, illegal labor, and conflicts with local residents as examples of social impact. We stipulate procurement of forest commodities with low social impact in the Kao Guidelines for Supplier's Assessment, and as part of this effort, we promote procurement of RSPO-certified products.

## Other, please specify

### Relevance & inclusion

Please select

### Please explain

## F2.1c

---

**(F2.1c) Which of the following stakeholders are considered in your organization's forests-related risk assessments?**

## Customers

### Relevance & inclusion

Relevant, always included

### Please explain

Some chemical business customers request Kao to provide RSPO-certified oil. If Kao cannot provide RSPO-certified oil, we risk losing business opportunities. In response to requests from customers in the chemical business in 2019, the sales volume RSPO-certified products increased by 94% from 2018. Using internal information that we obtained through engagement with customers enables us to evaluate the customer awareness of sustainable palm oil. This information comes from evidence of expanding demand as noted above, as well as by communicating directly with customers who ask that we supply them with RSPO-certified oil. We had completed the initial plan of obtaining the RSPO SCCS certification at 35 Kao Group plants and offices globally in 2018.

## Employees

### Relevance & inclusion

Relevant, always included

### Please explain

Kao uses palm kernel oil for active ingredients contained in laundry detergents, one of Kao's key products, and timber for paper diapers and packing materials. We state in our procurement policy that zero-deforestation is a part of our procurement process for those forest risk-commodities. Adverse effects could arise if we fail to state this progressive policy, including increases in employee turnover and difficulties in recruiting new employees. Kao communicates its zero-deforestation policy through its training opportunities for its employees, and through its corporate introduction activities to students. The Procurement Division conducted an e-learning program targeted for all global procurement division members (100% attendance in 2019). The themes of the program are all related to ESG activities, namely forest sustainability, traceability to places of origin, and human rights issues. We evaluate the level of employee awareness about forest-related issues based on their performance in the program's lecture courses.

## Investors

### Relevance & inclusion

Relevant, always included

### Please explain

Kao uses palm kernel oil for active ingredients contained in laundry detergents, one of Kao's key products, and timber for paper diapers and packing materials. Adverse effects could arise if we fail to state such progressive policies, including our zero-deforestation policy, and we may risk losing support from our investors. As part of our engagement with investors, Kao explains its policies and activities for zero-deforestation through its sustainability data books. Also, we occasionally discuss matters with our investors directly through various opportunities, including interviews, company tours and corporate explanation sessions. For instance, in 2018 we visited 13 institutional investors and explained Kao's policies and initiatives. The investors provided feedback suggesting that we should express the relationship between the increased cost of environmental measures, such as procurement of certified products, and the economic effect in numerical form. Feedback such as this from investors indicates that awareness of forest-related risks is increasing.

## Local communities

### Relevance & inclusion

Relevant, always included

### Please explain

Kao uses palm kernel oil for active ingredients contained in laundry detergents, one of Kao's key products. Many regions in Indonesia and Malaysia, where Kao procures its palm oil, have experienced frequent conflicts with local residents regarding land development. Thus, these regions pose potential risks associated with social issues. Using the risk-mapping approach for palm oil procurement as addressed in F2.1a to assess the adverse effects that palm oil mills may cause to the environment and human rights in those surroundings, we have identified farms near the mills, and mills themselves, with higher potential risk of deforestation. We visited those regions to understand the full situation and make requests for improvements. We also participated in the stakeholder engagement (SHE) program held by the Caux Round Table (CRT Japan) in Malaysia and Indonesia, in which we visited local small-scale oil palm farms to talk with farm owners, etc. Obtaining information on potential risks such as conflicts related to land development through such conversations helped in evaluating risks associated with local residents. In addition, we gained knowledge about situations at farms, the small-scale farming support businesses promoted by local administrations, and improvements in product appeal that derive from obtaining certification.

## NGOs

### Relevance & inclusion

Relevant, always included

### Please explain

Kao uses palm kernel oil for active ingredients contained in laundry detergents, one of Kao's key products, and timber for paper diapers and packing materials. Some NGOs occasionally take radical action against the procurement of forest commodities, resulting in risks to Kao. We monitor these NGO actions and, when there is a high likelihood of being subjected to negative campaigns, take appropriate measures such as initiating discussions with these NGOs. For example, since 2013, we have regularly engaged in discussions with the international NGO Greenpeace, which has requested the introduction of zero-deforestation policies for forest conservation in Indonesia. And in 2014, Kao introduced its Sustainable Palm Oil Procurement Guidelines that emphasize biodiversity conservation and support zero-deforestation in palm oil procurement. We also participated in the stakeholder engagement (SHE) program held by the Caux Round Table (CRT Japan) in Malaysia and Indonesia, in which we participated in conversation meetings with local NGOs involved with environmental and human rights issues. We can evaluate risks associated with NGOs by obtaining information through conversations with them on potential risks such as negative perceptions and campaigns. In addition, we gained knowledge about situations at palm farms, problems, and efforts to solve such issues, etc.

## Other forest risk commodity users/producers at a local level

### Relevance & inclusion

Relevant, always included

### Please explain

Kao uses palm kernel oil for active ingredients contained in laundry detergents, one of Kao's key products. Palm farms represent many potential risks. Kao joined Bluenumbers in 2017 and SUSTAIN in 2018 to verify whether palm farms are risk-free, including no illegal logging. We use information on palm farms obtained during engagement through these initiatives to understand, evaluate, and reduce risks. We also participated in the stakeholder engagement (SHE) program held by the Caux Round Table (CRT Japan) in Malaysia and Indonesia, in which we visited local small-scale oil palm farms to speak with farm owners, etc. By obtaining information on potential risks such as conflicts related to land development through conversations like these, we can evaluate risks associated with local residents. In addition, we obtained knowledge about conditions at farms, the small-scale farming support businesses promoted by local administrations, and improvement of product appeal gained by obtaining certification.



## Regulators

### Relevance & inclusion

Relevant, always included

### Please explain

A large quantity of palm kernel oil is used for active ingredients contained in laundry detergents, one of Kao's key products. Timber is used for paper diapers and packing materials. When a new regulation is introduced that related to procuring these materials, procurement may become more difficult, or the costs might rise. The Procurement Division traces regulator trends in introducing new regulations on forest commodities, overseen by the Risk Management Committee.

## Suppliers

### Relevance & inclusion

Relevant, always included

### Please explain

Kao uses palm kernel oil for active ingredients contained in laundry detergents, one of our key product ranges. Because Kao has declared zero-deforestation as one of its corporate policies, if any of our palm oil suppliers procures oil from a farm involved in deforestation, we are no longer permitted to procure palm oil from that supplier. This may affect our product supply. Also, knowledge that we procured palm oil from that supplier will adversely affect our reputation. To prevent such situations from occurring, Kao regularly performs risk assessments on each palm oil mill in collaboration with our suppliers. We cooperated with third-party agencies to check the conditions of land use within 50 km of each palm oil mill location, and identified mills receiving palm fruit from farms possibly associated with deforestation (89 mills). We visited the identified mills to verify that they do not procure from farms associated with deforestation, or discussed how they can make improvements (8 mills).

## Other stakeholders, please specify

### Relevance & inclusion

Please select

### Please explain

## F3. Risks and opportunities

### F3.1

#### (F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Timber products	Yes
Palm oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

### F3.1a

#### (F3.1a) How does your organization define substantive financial or strategic impact on your business?

-A definition of substantive financial impact: Items managed by the Risk and Crisis Management Committee that may seriously impact the financial status and operating results

-Evaluation standards and indexes for identifying changes in the impact: Forecast increase in spending by Kao (increase in purchased ingredient costs and other additional costs to be incurred) and a drop in sales

-Evaluation standards, thresholds and variation indicating changes in the impact: Cases that have at least a one billion yen impact on operating results

-Is the definition being applied: Kao applies this risk definition to both the direct operation and the supply chain.

### F3.1b

#### (F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

##### Forest risk commodity

Timber products

##### Type of risk

Reputational and markets

##### Geographical scale

Global

**Where in your value chain does the risk driver occur?**

Supply chain

**Primary risk driver**

Increased stakeholder concern or negative stakeholder feedback

**Primary potential impact**

Brand damage

**Company-specific description**

Kao markets baby diaper "Merries" throughout Asia and the growth in sales of these products is one of Kao's growth drivers. "Merries" uses pulp. Such situations will lead to reduced operations at Kao plants, resulting in an increase in fixed costs over sales. In Japan, which accounts for more than half of the sales of the human health business to which baby diaper "Merries" belongs, about 40% of consumers refer to word of mouth such as SNS include negative campaign when they purchase daily necessities such as baby diapers. Therefore, if customer and other stakeholder concerns about Kao's activities on Timber increase, there is a risk that the "Merries" brand will be damaged and sales of baby diapers will decrease. So, Kao has set a goal of confirming 100% of the origin of paper and pulp by 2020 in 2014, and is engaged in activities every year. Through this activity, it was possible to confirm 100% origin as of 2019. This activity does not generate the above negative campaigns. It should be noted that the additional cost for the confirmation of the place of origin is only labor costs for carrying out this activity. Although such risks have yet to surface, we are aware that they may manifest themselves in one to three years as the recognition of Forest Stewardship Council (FSC) certification improves.

**Timeframe**

Current - up to 1 year

**Magnitude of potential impact**

High

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact (currency)**

6300000000

**Potential financial impact figure - minimum (currency)**

<Not Applicable>

**Potential financial impact figure - maximum (currency)**

<Not Applicable>

**Explanation of financial**

The sales of Kao disposable diaper, "Merries," are over 100 billion yen. If reputational and other risks for the product manifest themselves whereby reducing sales by 5%, it would have a negative impact of 5 billion yen or more. Although such risks have yet to surface, we are aware that they may manifest themselves in one to three years as the recognition of Forest Stewardship Council (FSC) certification improves.

**Primary response to risk**

Engagement with suppliers

**Description of response**

Kao is developing baby diapers "Merries" in Asian countries. "Merries" has sold more than 100 billion yen per year and is one of Kao's future growth drivers. In Japan, about 40% of consumers refer to word of mouth such as SNS include negative campaign when they purchase daily necessities such as baby diapers. 63% of sales in the human health business to which baby diaper "Merries" belongs are in Japan. In Japan, about 40% of consumers refer to word of mouth such as SNS include negative campaign when they purchase daily necessities such as baby diapers. Kao expects up to 25% of consumers to change their sales behavior by touching this information. If 25% of the consumers didn't actually buy it, annual sales of "Merries" would fall by 6.3 billion yen (=100 billion yen x 63% x 40% x 25%). This is equivalent to 2.5% of Kao's human health business (where baby diapers "Merries" belong) of 255.2 billion yen. We recognize that this risk can occur at any time at the moment.

**Cost of response**

1200000

**Explanation of cost of response**

The cost for management work occurs every year, and the cost is calculated from the labor cost which corresponds to 10% of one employee every year (1.2million Yen = 12million Yen/person x 1person x 10%). In addition, no additional costs will be incurred for the time being.

**Forest risk commodity**

Palm oil

**Type of risk**

Reputational and markets

**Geographical scale**

Global

**Where in your value chain does the risk driver occur?**

Supply chain

**Primary risk driver**

Increased stakeholder concern or negative stakeholder feedback

**Primary potential impact**

Brand damage

**Company-specific description**

Almost all of Kao's cleaning products (ATTACK laundry detergent, and Biore body wash, etc.) use Palm Oil as one of the raw materials. Of Kao's skin care, hair care, fabric and home care business, which mainly handles cleaning products, sales in 2019 were approximately 700 billion yen, with sales in Europe and the Americas of 124.2 billion yen. In Japan, which accounts for about 75% of sales in these businesses, about 40% of consumers refer to word of mouth such as SNS include negative campaign when they purchase daily necessities such as laundry detergent. Therefore, if the concern of customers and other stakeholders increases about Kao's activities against Palm, there is a risk that many brands of Kao will be damaged and their sales will decline. Kao is promoting its activities every year with the goal of 100% confirming the origin of

palm oil to be purchased by 2020 in 2014. In 2019, we have confirmed 100% traceability up to palm oil mills.

**Timeframe**

Current - up to 1 year

**Magnitude of potential impact**

High

**Likelihood**

Very likely

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact (currency)**

70000000000

**Potential financial impact figure - minimum (currency)**

<Not Applicable>

**Potential financial impact figure - maximum (currency)**

<Not Applicable>

**Explanation of financial**

The sales of Kao's consumer product business are 1.257 trillion yen. Among them, sales of the skin care and hair care business and fabric and home care business, which handle a large number of products using active agents derived from palm oil, are approximately 700 billion yen. In Japan, about 40% of consumers refer to word of mouth such as SNS include negative campaign when they purchase daily necessities such as laundry detergent. Kao expects up to 25% of consumers to change their sales behavior by touching this information. If the reputational risk associated with procuring palm oil becomes evident and the sales amount drops by 25% accordingly, the negative impact will be roughly 70 billion yen (=700 billion Yen x 40% x 25%) per year. The financial impact of this risk may become apparent within a year because of the fact that negative campaigns, such as those described in the Company-specific description, are actually occurring. We recognize that this risk can occur at any time at the moment.

**Primary response to risk**

Greater traceability of forest-risk commodities

**Description of response**

Kao intends by 2020 to procure only raw materials that are not associated with deforestation at their places of origin, based on the Sustainable Palm Oil Procurement Guidelines. This objective is shared with all of our suppliers. To achieve this objective, Kao is investigating the deforestation risks at the places of origin through the following procedures: (1) Obtain information on palm kernel mills and palm oil mills from Tier-1 suppliers, and map this information (2) Identify the palm kernel mill supply chains (3) Conduct risk mapping of all palm oil mills, and identify those mills possibly conducting business with farms with higher deforestation risks (4) Visit and investigate those mills with higher risks As a result of these activities, we completed traceability to palm oil mills in 2019. Our activity does not generate the above negative campaigns. In addition, there is the purchase of certified oil as one of the methods of confirming the origin of the country, this oil has become a premium price.

**Cost of response**

3600000

**Explanation of cost of response**

The cost for management work occurs every year, and the cost is calculated from the labor cost which corresponds to 10% of three employee every year (3.6 million Yen = 12 million Yen/person x 3 person x 10%). In addition, no additional costs will be incurred for the time being.

F3.2

**(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

	Have you identified opportunities?
Timber products	Yes
Palm oil	Yes
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.2a

**(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic impact on your business.**

**Forest risk commodity**

Timber products

**Type of opportunity**

Products & services

**Where in your value chain does the opportunity occur?**

Supply chain

**Primary forests-related opportunity**

Increased brand value

**Company-specific description & strategy to realize opportunity**

In the future, ethical consumption is expected to grow around the world in order to realize a sustainable society. For example, the market size of sustainable certified products in the U.S. has grown by 5% per year, and this growth rate is expected to continue. In contrast, the market size of sustainable certified products in Asia, including Japan, has not reached the United States, so the market growth rate in Asia is expected to be 2.5%/year, assuming a market growth rate of 1/2 of the United States. Kao's baby diapers "Merries" have sales of more than 100 billion yen in Asia. Therefore, this product may contribute to an increase in sales by more than 2.5 billion yen by affixing ethical certification labels such as FSC and PEFC to stimulate ethical consumers' willingness to purchase. As Kao considers one billion yen is a "significant impact", it is a serious strategy to stimulate ethical consumption. Kao is offering products that clearly state the FSC certification labeling the package. In addition to contributing to the improvement of the value of the product brand, we believe this will contribute to the expansion of the new ethical market. Kao has specified the FSC certification labeling on paper boxes for laundry detergent ATTACK, and the introduction rate of FSC certified paper into product paper boxes in 2019 has reached about 60%. Kao is also actively promoting the introduction of FSC certified cardboard, and in 2019, it introduced FSC certified paper to about 94% of cardboard used in Kao group globally. Kao explained its efforts and exhibited products labelled with FSC certification at the post-2020 Sustainable Forest Resource Procurement Conference hosted by FSC Japan in July 2018, and announced the "Declaration of Procurement of FSC Certified Materials 2020", which promises to procure FSC certified materials in collaboration with six Japanese companies at the conference. Kao has set a new target of 100% certified paper products and pulp used in consumer products by 2025 at Kao Kirei Lifestyle Plan, which was released in April 2019.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

5000000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

The market size of sustainable certified products in the U.S. is growing by 5% per year, and this growth rate is expected to continue. Kao's baby diaper "Merries" has sold more than 100 billion yen. An increase in reputation for this product and a 2.5% increase in sales in Asia would have an impact of more than 2.5 billion yen. This opportunity has not yet become apparent, but we recognize that it could become apparent in the 1-3 years of increased awareness of FSC certification.

**Forest risk commodity**

Palm oil

**Type of opportunity**

Products & services

**Where in your value chain does the opportunity occur?**

Supply chain

**Primary forests-related opportunity**

Increased brand value

**Company-specific description & strategy to realize opportunity**

Ethical consumption is expected to grow around the world in order to realize a sustainable society in the future. For example, the market size of sustainable certified products in the U.S. has grown by 5% per year, and this growth rate is expected to continue. In 2019, sales of the consumer business in Kao Americas were approximately 90 billion yen. If 50% of the company's sales (45 billion yen) products were affixed with ethical certification labeling such as RSPO, sales increase is expected by 5%, which is equivalent to more than two billion yen. As Kao considers one billion yen is a "significant impact", it is a serious strategy to stimulate ethical consumption. Kao is expanding its RSPO supply chain certification plants to allow RSPO certification labeling on the package. Kao will be able to provide the new ethical market in a timely manner when it seeks RSPO certified products. Kao has obtained RSPO supply chain certification at a total of 35 of its group plants and offices by the end of 2018, and has completed 100% of its original plan. Kao sells it to chemical users via B to B and blends it into its own products. In 2019, Kao launched a laundry detergent with the RSPO certification labeling in Taiwan. Kao's 2019 RSPO certified palm oil (palm oil, palm kernel oil, its derivatives) purchase ratio was 21% of the total palm oil. Kao released Kao Kirei Lifestyle Plan in April 2019. In the plan, the company announced a new goal of completing traceability checks to small farms by 2030. Generally speaking, in the procurement of palm oil, if it is confirmed that its origin is clearly investigated, that palm farm is under control, and that the human rights of employees are considered, the reliability of the company and products is improved from the viewpoint of ethics. In 2018, Kao participated in SUSTAIN as a founding member in addition to the Blue Number. Kao is using it for traceability to small farms.

**Estimated timeframe for realization**

1-3 years

**Magnitude of potential impact**

Medium-high

**Likelihood**

Likely

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

30000000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

The market size of sustainable certified products in the U.S. has grown by 5% per year, and this growth rate is expected to continue. In 2019, sales of the consumer business in Kao Americas were approximately 90 billion yen. If 50% of the company's sales (45 billion yen) products were affixed with ethical certification labeling such as RSPO, sales increase is expected by 5%, which is equivalent to more than two billion yen. We recognize that this opportunity has already become apparent.

**F4. Governance**

**F4.1**

**(F4.1) Is there board-level oversight of forests-related issues within your organization?**

Yes

**F4.1a**

**(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.**

Position of individual	Please explain
Chief Executive Officer (CEO)	Since forest-risk commodities are closely tied to Kao's business, they must be monitored as business management issues, and are therefore under the Board of Directors' oversight. The ESG Committee is responsible for compliance with Kao's response policy regarding forest issues. Then this committee investigates and evaluates, for example, social trends related to forest-related goals, and reviews them as necessary. The Internal Control Committee is responsible for achieving the targets related to forest issues. The Responsible Care Committee, one of the subcommittees of this committee, annually confirms the achievement status of forest-related targets. These two committees are under the board of directors. Our CEO serves as the chairperson of both Committees.

**F4.1b**

**(F4.1b) Provide further details on the board's oversight of forests-related issues.**

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Providing employee incentives Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing innovation / R&D priorities Setting performance objectives	Reviewing and guiding corporate responsibility strategy, -major plans of action, -strategy, Setting performance objectives: The functions of these four governance mechanisms into which forest-related issues are integrated are covered by the ESG Committee (chairman is CEO) held four times a year in Kao. The contents were supervised by the Board and deliberated more than six times in 2019. Overseeing -acquisitions and divestiture, -major capital expenditures, Providing employee incentives, Reviewing and guiding -annual budgets, -business plans, Reviewing innovation/ R&D priorities: The functions of these six governance mechanisms into which forest-related issues are integrated are covered by the Management Committee (chairman is CEO) held every month in Kao. The contents were supervised by the Board and deliberated more than six times in 2019. Monitoring implementation and performance, Reviewing and guiding risk management policies: The functions of these two governance mechanisms into which forest-related issues are integrated are covered by the two sub Committees of Internal Control Committee (chairman is CEO) held more than once in Kao. The contents were supervised by the Board and deliberated once in 2019. In 2019, the ESG Committee received a report from the Internal Control Committee that it was difficult to achieve the 2020 target related to forests, developed new target related to this, and was approved by the Board.

## F4.2

**(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).**

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Chief Executive Officer (CEO)	Both assessing and managing forests-related risks and opportunities	Annually	i) A description of the committee's position in the corporate structure The Internal Control Committee and the ESG Committee are under the Board of Directors. The chairman of both committee is CEO. ii) Frequency of reporting to the board on forests-related issues The Internal Control Committee reports the results of Forest-related Monitoring implementation and performance and Reviewing and guiding risk management policies at least once a year to the Board. The content of the report is an annual results, so it is set to once a year. The ESG Committee reports to the Board at least once a year the forest-related Reviewing and guiding corporate responsibility strategy, -major plans of action, -strategy, and Setting performance objectives. The content of the report is an annual plan, so it is set to once a year. Each committee reports to the Board whenever there is a sudden change in social trends that requires a urgent change in strategy, plan, or risk management policy. iii) Details on the forest-related responsibilities of the committees The Internal Control Committee is responsible for summarizing results, identifying risks, managing mitigation activities, and responding when risks become apparent. The scope of responsibility of the ESG Committee is Reviewing and guiding corporate responsibility strategy, -major plans of action, -strategy, and Setting performance objectives.

## F4.3

**(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?**

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	

## F4.3a

**(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?**

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Chief Sustainability Officer (CSO) Chief Purchasing Officer (CPO)	Achievement of commitments and targets	Kao set four targets for palm oil procurement in 2014, including "procure 100% traceable oil by 2020" (one for 2015 and three for 2020). For paper and pulp procurement, we have set three targets (all 2020), including "procure pulp that can be traced to 100% wood production by 2020". These targets will lead to zero deforestation in the palm oil and paper and pulp industries. The degree of achievement of these individual targets is the achievement rate of the target (for example, the tracking rate of the paper and pulp to the timber producing area: 100%) and the elapsed years until the target (2019: (2019-2015)/(2020-2015) x100=83%) (in this case, 100%/83%=120%), and if this ratio exceeds 100%, it is considered successful A portion of Kao's executive officers' remuneration includes a "performance-linked portion" in which the Company's shares are delivered in accordance with the achievement level of the performance targets of the medium-term manage Achievement level of multiple business goals of each executive officer is comprehensively evaluated, and the performance-linked part is determined according to the achievement level. One of the CSO and CPO business goals is the average of the above 6 targets. In this way, by reflecting the achievements of forest-related goals in the rewards of CSOs and CPOs, a sense of responsibility for achieving the goals is created. The effect of is obtained.
Non-monetary reward	Chief Sustainability Officer (CSO) Chief Supply chain Officer (CPO) Other, please specify	Achievement of commitments and targets Supply chain engagement	Kao does not grant C-Suite employees or board members recognition (non-monetary).

## F4.4

**(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?**

Yes (you may attach the report – this is optional)

## F4.5

**(F4.5) Does your organization have a policy that includes forests-related issues?**

Yes, we have a documented forests policy that is publicly available

F4.5a

(F4.5a) Select the options to describe the scope and content of your policy.

	Scope	Content	Please explain
Row 1	Company-wide	Commitment to eliminate deforestation Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests Recognition of potential business impact on forests and other natural habitats Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound milestones and targets Description of forests-related standards for procurement	Kao states that Kao Way's mission is "satisfaction and enrichment of the lives of people and contributing to the sustainability of society". Not only consumers and customers, but also suppliers involved in the supply of forest-related raw materials and neighboring residents of plantations and forests are the targets for our mission. i) "satisfaction and enrichment of the lives of people" means "comprehensiveness". Because Kao values this comprehensiveness, so the following items are included in the policy. Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy - Commitment to eliminate deforestation - Commitment to protect rights and livelihoods of local communities - Commitments beyond regulatory compliance - Recognition of the overall importance of forests and other natural ecosystems ii) Kao believes that it is important to sustainably maintain the forests and natural environment, which are heavily dependent on its business activities, in order to realize i), and therefore the following items are specified in the policy. - Description of business dependency on forests - Recognition of potential business impact on forests and other natural habitats - Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy iii) In order to surely realize the priority of i) and ii), emphasis is placed on clear goal setting and compliance with the law, and the following items are included in the policy. - List of timebound milestones and targets - Description of forests-related standards for procurement Kao confirms the need for policy revision every year at the ESG Committee. When it is necessary to revise it, it is formulated by the ESG Committee and approved by the Board. As an activity based on this policy, baby diapers with reduced pulp usage has developed for reducing impacts for Timber, and a new surfactant "BioIOS" using a component of Palm Oil that had been unused has developed for reducing impacts for Palm Oil. This reflects the following policy. "Description of business dependency on forests Recognition of potential business impact on forests and other natural habitats"

F4.5b

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

Do you have a commodity specific sustainability policy?	Scope	Content	Please explain

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	Commitment to eliminate deforestation Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests Recognition of potential business impact on forests and other natural ecosystems Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests-related standards for procurement	Kao states that Kao Way's mission is "satisfaction and enrichment of the lives of people and contributing to the sustainability of society". Not only consumers and customers, but also suppliers involved in the supply of timber products and neighboring residents of forests are the targets for our mission. i) "satisfaction and enrichment of the lives of people" means "comprehensiveness". Because Kao values this comprehensiveness, so the following items are included in the policy. Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy - Commitment to eliminate deforestation - Commitment to protect rights and livelihoods of local communities - Commitments beyond regulatory compliance - Recognition of the overall importance of forests and other natural ecosystems ii) Kao believes that it is important to sustainably maintain the forests and natural environment, which are heavily dependent on its business activities, in order to realize i), and therefore the following items are specified in the policy. - Description of business dependency on forests - Recognition of potential business impact on forests and other natural habitats - Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy iii) In order to surely realize the priority of i) and ii), emphasis is placed on clear goal setting and compliance with the law, and the following items are included in the policy. - List of time-bound milestones and targets - Description of forests-related standards for procurement Kao confirms the need for policy revision every year at the ESG Committee. When it is necessary to revise it, it is formulated by the ESG Committee and approved by the Board. As an activity based on this policy, baby diapers with reduced pulp usage has developed for reducing impacts for Timber. This reflects the following policy. "Description of business dependency on forests Recognition of potential business impact on forests and other natural habitats"



	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Palm oil	Yes	Company-wide	Commitment to eliminate deforestation Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Recognition of the overall importance of forests and other natural ecosystems Description of business dependency on forests Recognition of potential business impact on forests and other natural ecosystems Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound commitments and targets Description of forests-related standards for procurement	Kao states that Kao Way's mission is "satisfaction and enrichment of the lives of people and contributing to the sustainability of society". Not only consumers and customers, but also suppliers involved in the supply of palm oil and neighboring residents of plantations are the targets for our mission. i) "satisfaction and enrichment of the lives of people" means "comprehensiveness". Because Kao values this comprehensiveness, so the following items are included in the policy. Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy - Commitment to eliminate deforestation - Commitment to protect rights and livelihoods of local communities - Commitments beyond regulatory compliance - Recognition of the overall importance of forests and other natural ecosystems ii) Kao believes that it is important to sustainably maintain the forests and natural environment, which are heavily dependent on its business activities, in order to realize i), and therefore the following items are specified in the policy. - Description of business dependency on forests - Recognition of potential business impact on forests and other natural habitats - Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy iii) In order to surely realize the priority of i) and ii), emphasis is placed on clear goal setting and compliance with the law, and the following items are included in the policy. - List of time-bound milestones and targets - Description of forests-related standards for procurement Kao confirms the need for policy revision every year at the ESG Committee. When it is necessary to revise it, it is formulated by the ESG Committee and approved by the Board. As an activity based on this policy, a new surfactant "BioIOS" using a component of Palm Oil that had been unused has developed for reducing impacts for Palm Oil. This reflects the following policy. "Description of business dependency on forests Recognition of potential business impact on forests and other natural habitats"
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

#### F4.6

**(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?**

Yes

#### F4.6a

**(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?**

New York Declaration on Forests

We Mean Business

Other, please specify (The Consumer Goods Forum)

**(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.****Forest risk commodity**

Timber products

**Criteria**

Zero gross deforestation/ no deforestation  
 No new development on peat regardless of depth  
 No conversion of High Conservation Value areas  
 No conversion of High Carbon Stock forests  
 Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities  
 Adoption of the UN International Labour Organization principles  
 No sourcing of illegally produced and/or traded forest risk commodities  
 No sourcing of forest risk commodities from unknown/controversial sources

**Operational coverage**

Direct operations and supply chain

**% of total production/ consumption covered by commitment**

100%

**Cutoff date**

2014

**Commitment target date**

2020

**Please explain**

Kao is working on to increase the purchase ratio of FSC and PEFC certified products to contribute activities such as "Zero gross deforestation / no deforestation" and "Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities". Kao annually requests suppliers to provide new FSC and PEFC certification papers, which were implemented in 2019. As a result, the ratio of certified paper and pulp in 2019 increased to 91% by 5 points from 2018 (86%). In 2019, Kao set a target to make all paper and pulp products certified with FSC and PEFC by 2025.

**Forest risk commodity**

Palm oil

**Criteria**

Zero gross deforestation/ no deforestation  
 No new development on peat regardless of depth  
 No conversion of High Conservation Value areas  
 No conversion of High Carbon Stock forests  
 Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities  
 Adoption of the UN International Labour Organization principles  
 No sourcing of illegally produced and/or traded forest risk commodities  
 No sourcing of forest risk commodities from unknown/controversial sources

**Operational coverage**

Direct operations and supply chain

**% of total production/ consumption covered by commitment**

100%

**Cutoff date**

2006

**Commitment target date**

2020

**Please explain**

Kao has declared zero deforestation. In order to achieve the target zero deforestation in Kao's "Guidelines for Sustainable Procurement of Palm Oil", the following has been implemented. Kao agrees with the RSPO's "principles and standards" in these guidelines. The RSPO's "Principles and Standards" standard 7.3 prohibits planting in HCV since November 2005 and commits accordingly. Kao conducted risk mapping of land usage within 50 km of the palm oil mill identified from Tier-1 supplier information, to assess the risks of deforestation and peatland development. As of the end of 2019, Kao has checked the traceability to palm oil mills and check whether the criteria stated in our commitment is met. Palm oil mills located near protected forests and peatland risk being offered palm clusters from palm plantations that are modifying their natural habitats or destroying forests. We identified 89 mills that were judged to be high in such risk, and 11 of these were visited with experts or by information from Tier-1 suppliers, and as a result of checking the situation, the risk was determined to be small. Kao also has joined Bluenumber since 2017 and SUSTAIN since 2018 to ensure that small-scale farmers in Indonesia track their origins more consistently. Bluenumber and SUSTAIN are mechanisms to establish traceability of agricultural products globally, and we will promote the confirmation of environmental conservation, human rights, FPIC, etc. for small palm plantations where traceability has been confirmed. Kao continues to carry out these activities in 2019. These activities contribute to the realization of "Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities" Kao will consider requesting improvement or discontinuing transactions to suppliers who are found to be involved in deforestation and do not respect the rights of the indigenous people. Regarding suppliers who were suspended from RSPO certification in 2016 due to complaints about deforestation, Kao asked the company to stop supplying until improvements were confirmed through objective verification by third parties appointed by RSPO, and repeated dialogue with suppliers confirmed the progress of improvement. In March 2020, Kao requested its suppliers to comply with NDPE and made priority purchases from suppliers that comply with HCSA on our website.

F5.1

**(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	11-15	The Kao Group intends to maintain a strong global presence by "contributing to the sustainability of society" through solving social problems via business activities, social contribution activities, and by achieving sustainable "profitable growth." As a "contribution to the sustainability of society," we promote procurement of sustainable palm oil and paper/pulp, and respond to the expanding ethical consumer markets by indicating on our products that we use sustainable palm oil and paper/pulp. This is an approach toward achieving the sales target of 2.5 trillion yen in 2030. To procure raw materials, we promote activities by setting a two-stage target. As the first step, by 2020 we aim to purchase only paper/pulp and palm oil for household products that are traceable to places of origin for sustainability, as set forth in the Guidelines for Sustainable Procurement of Raw Materials that stated that we support zero deforestation in 2014. For palm oil, traceability to palm oil mill was confirmed almost 100% in 1st step. However, it was difficult to confirm traceability to the farm. In particular, primary suppliers have not been able to confirm traceability to the farm because of the insufficient understanding and management of small farms in Indonesia. As a second step, in April 2019, Kao set a target for traceability to palm oil plantations (target year 2030) in Kirei Lifestyle Plan (Kao's ESG strategy). The activities at SUSTAIN, in which Kao joined as one of the founder in 2018, also support the traceability. SUSTAIN is an initiative in which palm oil stakeholders (small plantations, plantations, palm oil mills, refiners, consumer goods manufacturers, etc.) work together to clarify the supply chain to origin. For pulp and paper, for the 1st step, Kao established 100% traceability to the origin, of which 91% was certified products in 2019. As it was found that a certification labeling is one of the key factors to appeal as ethical products, Kao aims the 2nd step in Kao's ESG strategy (the Kirei Lifestyle Plan) to achieve 100% certification of pulp and paper used for consumer products (target year 2025). Many suppliers that do not offer certified products are relatively small. Kao aims to achieve its goals by carefully explaining them the necessity of certification, and by providing them the scheme to obtain certifications.
Strategy for long-term objectives	Yes, forests-related issues are integrated	11-15	We have incorporated the procurement of palm oil and paper/pulp in Kao's ESG strategy, "Kirei Lifestyle Plan," to demonstrate our commitment to responsible procurement. Our goal for palm oil is to complete the confirmation of traceability through to small-scale farms by 2030. We are participating in SUSTAIN to achieve this goal. SUSTAIN is an initiative that aims to share supply chain information by utilizing blockchain technology and collaborating with palm oil stakeholders (farmers, palm oil extraction plants, palm kernel oil factories, and refineries). A pilot survey was conducted in Jambi Province, Indonesia, in 2019 on traceability to small farms. On the other hand our goal for paper and pulp is to use certified paper products and pulp in 100% of consumer products by 2025 (91% in 2019). As an approach to achieve the sales target of 2.5 trillion yen in 2030, we are responding to the expanding ethical consumer markets by indicating on our products that we use sustainable palm oil and paper/pulp. The affix of FSC labeling on Kao products began in 2013. In 2016, the display of cardboard was carried out for the first time in Japan. In 2017, the FSC certification labeling was displayed on paper packaging of laundry powder detergent ATTACK, which is Kao's main brand. FSC labeling is affixed 100% for ATTACK in Japan, and are expanding to overseas products. A laundry powder detergent ATTACK for Taiwan in 2019, also displayed the RSPO certification labeling. Kao expands affixing FSC and RSPO certification labeling.
Financial planning	Yes, forests-related issues are integrated	11-15	Kao is focusing on its ESG activities so that these activities will have a positive impact on its finances. A part of this initiative is the goal to realize sustainable palm oil procurement by 2020. At the same time, because ethical consumption is predicted to grow, in 2018, 35 Kao's sites including factories and offices which are located in Indonesia, Malaysia, Japan, etc have received RSPO SCCS certification based on the expectation of strong future demand for the RSPO-certified symbol. We recognize that we need at least 7 million yen a year to maintain this certification, and we are incorporating it into our financial plans by 2030. In addition, the cost of the premium of certified products and engagement with small farms etc. is incorporated into the financial plan based on the activity plan of the current year and the following year. For pulp and paper, the additional cost of introducing certified products from suppliers is almost zero, so the financial impact is almost zero.

F6. Implementation

F6.1

**(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?**

Yes

F6.1a

**(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.**

**Target reference number**

Target 1

**Forest risk commodity**

Timber products

**Type of target**

Traceability

**Description of target**

We are promoting the procurement of sustainable paper and pulp to achieve zero deforestation. The target is 100% traceability to the place of origin by 2020.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

Forest management unit

**Third-party certification scheme**

<Not Applicable>

**Start year**

2014

**Target year**

2020

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

100

**Please explain**

Kao purchases certified products and checks traceability to the origin by our own method. The unique verification method is to trace raw materials from Tier-1 suppliers using the WWF Japan Forest Product Procurement Checklist, identify the original forest, and ensure that the forest is sustainable in terms of society, the environment, and economically. By 2018, we had achieved almost 100% traceability confirmation by the above two means. Since then, Kao has been continuously confirming the traceability for new purchases. In addition, although traceability was initially confirmed mainly on the WWF checklist, the switch to certified products was gradually promoted, and in 2019 the certification product rate reached 91% (FSC: about 58%, PEFC: about 33%). The company aims to achieve 100% certification products by 2025. For pulp and paper, the additional cost of installing certified products from suppliers and utilizing checklists is almost zero, so the financial impact is almost zero.

---

**Target reference number**

Target 2

**Forest risk commodity**

Timber products

**Type of target**

Third-party certification

**Description of target**

We are promoting the procurement of sustainable paper and pulp to achieve zero deforestation. All paper and pulp purchased by Kao are third-party certified

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

FSC (any type)

PEFC (any type)

**Start year**

2019

**Target year**

2025

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

91

**Please explain**

As one of the means of achievement, Kao is promoting the introduction of certified paper for cardboard (for consumer products), paper-ware (individual packaging), pulp for sanitary products, and paper for sanitary products. In 2019, the ratio of certified paper and pulp was 91%, increased 5 percentage points from 2018 (86%). Kao aims to achieve 100% by 2025. For pulp and paper, as the additional cost of certification is almost zero, negative financial impact is almost zero.

---

**Target reference number**

Target 3

**Forest risk commodity**

Timber products

**Type of target**

Assess and/or verify compliance

**Description of target**

Kao supports zero deforestation and asks suppliers to comply with this policy. The target is the ratio of Timber products that have complied with evaluation or validation among the total volume of Timber products procured.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

<Not Applicable>

**Start year**

2014

**Target year**

2020

**Quantitative metric**

&lt;Not Applicable&gt;

**Target (number)**

&lt;Not Applicable&gt;

**Target (%)**

100

**% of target achieved**

100

**Please explain**

Confirmation method: i) Purchase of certified Timber products ii) For non-certified Timber products, Kao uses WWF Japan's "forest product procurement checklist" for confirmation. By 2018, Kao had been evaluated and confirmed almost 100% of Timber products for compliance, and Kao is currently maintaining the scheme. For pulp and paper, as the additional cost of installing certified products from suppliers and utilizing checklists is almost zero, negative financial impact is almost zero.

---

**Target reference number**

Target 4

**Forest risk commodity**

Palm oil

**Type of target**

Traceability

**Description of target**

The palm oil supply chain is widely targeted with refineries (Tier 1), palm kernel mills (Tier 2), palm oil mills (Tier 3), and palm plantations (Tier 4). It is difficult to confirm everything at once. Therefore, as the first step to achieve zero deforestation related to palm, we have set a target of 100% traceability confirmation to palm oil mill(Tier 3) by 2020.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

Mill

**Third-party certification scheme**

&lt;Not Applicable&gt;

**Start year**

2014

**Target year**

2020

**Quantitative metric**

&lt;Not Applicable&gt;

**Target (number)**

&lt;Not Applicable&gt;

**Target (%)**

100

**% of target achieved**

100

**Please explain**

As a means of checking supply chain, we obtain supply chain information from Tier-1 suppliers (refined oil factories) to identify and map mills. In 2019, Kao has finished to check all palm oil mill and published a palm oil mill list on its website. Kao is promoting the procurement of sustainable palm oil to achieve zero forest destruction. The palm oil supply chain is widely targeted with refineries (Tier 1), palm kernel mills (Tier 2), palm oil mills (Tier 3), and palm plantations (Tier 4), and the number of palm oils is so large that it is difficult to confirm everything at once. Therefore, as the first step to achieve zero deforestation related to palm, we have set a target of 100% traceability confirmation to palm oil mill by 2020.

---

**Target reference number**

Target 5

**Forest risk commodity**

Palm oil

**Type of target**

Third-party certification

**Description of target**

Kao buys palm oil as a raw material for consumer and chemical products. For the 1st step, Kao set a target of 100% RSPO certification for palm oil used for consumer products by the end of 2020. Kao aims to change consumer behavior with this labeling.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

&lt;Not Applicable&gt;

**Third-party certification scheme**

RSPO Mass Balance

**Start year**

2016

**Target year**

2020

**Quantitative metric**

<Not Applicable>

**Target (number)**

<Not Applicable>

**Target (%)**

100

**% of target achieved**

90

**Please explain**

Kao set the target of "Zero net / gross deforestation" and has set the purchase of third-party certified oil as one of the ways to achieve it. To achieve this target, Kao shares demand plans with palm oil suppliers, and increases purchase amount of RSPO certified oil (MB, B&C). Kao had increased the proportion of RSPO-certified palm oil to 90% (MB:80%, B&C:10%) by the end of 2019.

---

**Target reference number**

Target 6

**Forest risk commodity**

Palm oil

**Type of target**

Engagement with smallholders

**Description of target**

Kao recognizes that a certain ratio of the palm oil procured by Kao comes from small palm plantations. On the other hand, in small palm plantations, Kao recognize that there are issues in productivity of palm trees and daily life of farmers compared to large plantations. Kao set a target to to engage with all small palm plantations in Kao's supply chain.

**Linked commitment**

Zero net/gross deforestation

**Traceability point**

<Not Applicable>

**Third-party certification scheme**

<Not Applicable>

**Start year**

2018

**Target year**

2030

**Quantitative metric**

<Not Applicable>

**Target (number)**

**Target (%)**

<Not Applicable>

**% of target achieved**

0

**Please explain**

Kao has been engaged in dialogue with small-scale farmers since 2018. Kao recognized the need to improve the productivity of small palm plantations and daily life of farmers. Therefore, Kao decided to start a support program for small palm plantations (Tier-4) in cooperation with a palm kernel oil supplier (Tier-1). The detail is under consideration.

---

F6.2

---

**(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?**

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	The traceability system used by Kao consists of two types, one is by purchasing certified products and another is by using WWF Japan's Forest Product Procurement Checklist. Kao confirms the forests are sustainable in society, the environment, and economically through the Tier-1 suppliers. - At the end of 2019, the ratio of certified raw material was 91%. Most of the rest was checked with WWF Japan's check list. Therefore, Kao regards almost 100% traceability was established. - Tier 1: Printing companies, paper package companies, cardboard companies; about 100 companies - Tier 2: About 50 paper companies - Tier 3: Sawmills, chip factories, approximately 1000 companies If the checklist reveals a non-sustainable supplier, Kao requests improvement or discontinue trading. In 2019, no suppliers are requested for improvement nor discontinue trading.	Not applicable	<Not Applicable>
Palm oil	Yes	Traceability of palm oil is confirmed as follows. (1) Obtain supply chain information (palm kernel mill (Tier-2) and palm oil mill (Tier-3), location, etc.) from Tier-1 suppliers (refined oil factories). In addition, by mapping it, to understand which region's palm is supplied from (map 90 palm kernel mills and 862 palm oil mills by 2018, 2019 published a list of locations of 1045 palm oil mills, including latitude and longitude information on the website). (2) Conduct third-party verification of the above-mentioned Tier-1 suppliers to review supplier initiatives and supply chain information. (3) Select regional mills from palm kernel mills that provide palm kernel oil to Tier-1 suppliers and conduct third-party verification (11 mills were surveyed by 2019). (4) Risk mapping by a third party is performed on the palm oil mill confirmed in (1). In the risk mapping, the status of the forest is confirmed using satellite photographs, administrative maps, vegetation maps, etc. within 50 km of palm oil mill. If protected forests, fire traces, and peatlands are identified in this area, the mill is considered a high-risk mill that is likely to receive palm supplies from plantations likely to be deforestation (89 mills identified by 2019 in Indonesia(86%) and Malaysia(14%)). (5) Conduct on-site surveys with experts on palm oil mills judged to be high-risk mills by risk mapping, and closely monitor the progress of them by demanding improvement (conducted on-site surveys of 8 mills or verification using Tier-1 supplier information by 2019).	Not applicable	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.2a**

**(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).**

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Forest management unit	100
Palm oil	Mill	100

**F6.3**

**(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption.**

**Forest risk commodity**

Timber products

**Third-party certification scheme**

FSC (any type)

**Certification coverage**

Consumption volume

**% of total production/consumption volume certified**

58

**Form of commodity**

Paper  
Boards, plywood, engineered wood  
Primary packaging  
Secondary packaging  
Tertiary packaging

**Volume of production/ consumption certified**

165000

**Metric**

Metric tons

**Please explain**

Kao annually requests suppliers to provide new FSC certified paper, which was implemented in 2019. In 2019, the rate of FSC certified paper and pulp reached 58% out of total timber product, increased 1 point from 57% in 2018. As for cardboard, FSC certified ones account for about 50% of the total. In 2019, we attached the FSC certification labeling to a paper box of laundry powders sold in Taiwan. With regard to the purchase of certified paper, Kao's ESG strategy (the Kirei Lifestyle Plan) aims to achieve a 100% ratio of FSC or PEFC certified paper and pulp used in consumer products by 2025.

---

**Forest risk commodity**

Timber products

**Third-party certification scheme**

PEFC (any type)

**Certification coverage**

Consumption volume

**% of total production/consumption volume certified**

33

**Form of commodity**

Pulp

Paper

Boards, plywood, engineered wood

Primary packaging

Secondary packaging

Tertiary packaging

**Volume of production/ consumption certified**

94000

**Metric**

Metric tons

**Please explain**

Kao annually requests suppliers to provide new PEFC certified paper, which was implemented in 2019. In 2019, the rate of PEFC certified paper and pulp reached 33% out of total timber product, increased 4 points from 29% in 2018. Kao states FSC certification the first priority, but procures PEFC certified products if there is no FSC certified forest in the origin. For example, pulp corresponds to a case study below. A supplier of paper containers did not provide PEFC certified paper, but Kao communicated the company with the background and goals of the use of certified paper. Kao continued to demand FSC certified products, then the supplier started supplying it. This activity contributed greatly to Kao's target. With regard to the purchase of certified paper, Kao's ESG strategy (the Kirei Lifestyle Plan) aims to achieve a 100% FSC or PEFC certified ratio of paper and pulp used in consumer products by 2025.

---

**Forest risk commodity**

Palm oil

**Third-party certification scheme**

RSPO Mass Balance

**Certification coverage**

Consumption volume

**% of total production/consumption volume certified**

19

**Form of commodity**

Crude palm kernel oil (CPKO)

Palm kernel oil derivatives

**Volume of production/ consumption certified**

82000

**Metric**

Metric tons

**Please explain**

Kao annually requests suppliers to provide new RSPO certified palm oil, which was implemented in 2019. The purchase ratio of RSPO-certified oil (MB ) was 19% in 2019, 3 points up from 2018 (16%) which was increased with MB. To further increase the purchase ratio, Kao need to increase consumer recognition of certified oil and boost the supply of certified oil accordingly. As one of such efforts in Japan, Kao has established JaSPON in collaboration with NGOs, manufacturers, retailers, etc. As a member of RSPO, Kao participates in the Round Table every year, Kao possesses and exercises voting rights for each matter under discussion. In May 2019, the Secretary-General of RSPO and Kao CPO held a meeting to share their ideas about issues in RSPO certification and exchanged views for improvement.

---

**Forest risk commodity**

Palm oil

**Third-party certification scheme**

RSPO Book and Claim

**Certification coverage**

Consumption volume

**% of total production/consumption volume certified**

2

**Form of commodity**

Crude palm kernel oil (CPKO)

**Volume of production/ consumption certified**

10000

**Metric**

Metric tons

**Please explain**

For purchasing RSPO certified raw materials, B&C is used to supplement the purchase of MB products. Since 2017, the purchase volume of B&C has set below 10,000 tons.



---

## F6.4

---

**(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?**

	<b>A system to control, monitor or verify compliance</b>	<b>Comment</b>
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.4a

---

**(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).**

**Forest risk commodity**

Timber products

**Operational coverage**

Direct operations  
Supply chain

**Description of control systems**

Kao purchased as follows: By purchasing certified products and by using WWF Japan's Forest Product Procurement Checklist, Kao confirms the forests are sustainable in society, the environment, and economically through the Tier-1 suppliers. - Tier 1: Printing companies, paper package companies, cardboard companies; about 100 companies - Tier 2: About 50 paper companies - Tier 3: Sawmills, chip factories, approximately 1000 companies

**Monitoring and verification approach**

Other, please specify ( Purchasing certified products and utilizing checklists)

**% of total volume in compliance**

100%

**% of total suppliers in compliance**

100%

**Response to supplier non-compliance**

Suspend & engage

**Procedures to address and resolve non-compliance with suppliers**

Providing information on appropriate actions that can be taken to address non-compliance

**Please explain**

Kao confirms the ratio of certified products of paper and pulp once a year. In the process, Kao also confirms the conformity of the management system. If Kao found that a supplier is non-compliance, Kao will temporarily stop procurement and engages the supplier to comply. If the status of non-compliance continues for long-term, Kao will also consider changing the supplier. If the checklist reveals a non-sustainable supplier, it will require a switch to an FSC or PEFC certified product along with a request for improvement. If this is not done, Kao will consider discontinuing the transaction.

---

**Forest risk commodity**

Palm oil

**Operational coverage**

Direct operations  
Supply chain

**Description of control systems**

(1) Obtain supply chain information (palm kernel mill (Tier-2) and palm oil mill (Tier-3), location, etc.) from Tier-1 suppliers (refined oil factories) to know from which region palm is being supplied (2) Conduct third-party verification of the above-mentioned Tier-1 suppliers. (3) Select a regional mill from a palm kernel mill that provides palm kernel oil to Tier-1 suppliers, and conduct third-party verification. (4) Risk mapping by a third party is carried out for the palm oil mill confirmed in (1). In the risk mapping, the status of the forest is confirmed using satellite photographs, administrative maps, vegetation maps, etc. within 50 km of palm oil mill. If protected forests, fire traces, and peatlands are identified in this area, the mill is judged to be a high-risk to be deforestation. (5) Conduct field surveys with experts on palm oil mills judged to be high-risk mills in risk mapping, demand improvement and pay close attention to their progress.

**Monitoring and verification approach**

Geospatial monitoring tool  
Third-party verification

**% of total volume in compliance**

100%

**% of total suppliers in compliance**

100%

**Response to supplier non-compliance**

Suspend & engage

**Procedures to address and resolve non-compliance with suppliers**

Developing time-bound targets and milestones to bring suppliers back into compliance  
Providing information on appropriate actions that can be taken to address non-compliance

**Please explain**

Kao confirms the ratio of certified palm oil once a year. In the process, Kao also confirms the conformity of the management system. If Kao found that a supplier is non-compliance, Kao will temporarily stop procurement and engages the supplier to comply. If the status of non-compliance continues for long-term, Kao will also consider asking the Tier-1 supplier not to purchase palm oil from corresponding palm oil mill. Kao will conduct a field survey with experts on palm oil mills judged to be high-risk mills, demand improvement, and pay close attention to their progress.

---

F6.6

**(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.**

	Assess legal compliance with forest regulations	Please explain
Timber products	Yes, from suppliers	<Not Applicable>
Palm oil	Yes, from suppliers	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

## F6.6a

**(F6.6a) For you disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.**

### Timber products

#### Procedure to ensure legal compliance

In two ways, Kao recognizes purchased Timber Products comply with forest regulations and/or laws: Method i) -Purchase FSC and PEFC certified products Kao recognizes that FSC and PEFC certified products comply with national forest laws and regulations. Method ii) -Purchase non-certified products When Kao purchase non-certified products, Kao will provide the suppliers with a WWF Japan's checklist and Kao will confirm the checklist after filling out. WWF Japan's Checklist contains items to confirm if a supplier fits relevant laws and regulations of each country, and Kao confirms the contents filled out by the supplier. If a supplier is not complying, Kao temporarily stop procurement and engage in compliance. After compliance is confirmed, the procurement will be resumed. Through the activities, compliance with laws and regulations in the supply chain can be ensured. In Kao's direct operations, the secretariat of Responsible Care Committee, a sub-committee of the Internal Control Committee, annually confirms compliance with relevant laws and regulations. If non-compliance is found, Kao requests the supplier to comply.

#### Country/Area of origin

Thailand

#### Law and/or mandatory standard(s)

Other, please specify (FSC, PEFC)

#### Comment

### Palm oil

#### Procedure to ensure legal compliance

In two ways, Kao recognizes purchased palm oil comply with forest regulations and/or laws: Method i) -Purchase RSPO certified products Kao recognizes that RSPO certified palm oils must comply with each country's forest laws and regulations. Method ii) - Purchase non-certified products If Kao purchase non-certified products, Kao will ask Tier-1 suppliers to answer CDP Forest questions that contain compliance status and compliance questions through the CDP SC program. In particular, Kao check the compliance status during the CDP Forest questions answered by each supplier. If there is an answer that does not comply with the content, Kao will ask the supplier for the truth of the answer. As a result of the review, if a supplier is not complying, Kao will ask the supplier to engage in compliance. To check the status of law-abiding for Tier-2 and upstream suppliers, Kao asks Tier-1 suppliers to confirm their legal status in order to confirm the status of the law-abiding. Through the activities, compliance with laws and regulations in the supply chain can be ensured. In Kao's direct operations, the secretariat of Responsible Care Committee, a sub-committee of the Internal Control Committee, annually confirms compliance with relevant laws and regulations. If non-compliance is found, Kao requests the supplier to comply.

#### Country/Area of origin

Indonesia

Malaysia

#### Law and/or mandatory standard(s)

ISPO

MSPO

Other, please specify (RSPO)

#### Comment

## F6.7

**(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?**

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	No, not working with smallholders	<Not Applicable>	<Not Applicable>	<Not Applicable>	There is no procurement from the small holder.
Palm oil	Yes, working with independent smallholders	Capacity building Financial and commercial incentives	Offering on-site technical assistance and extension services Providing agricultural inputs Investing in pilot projects Other, please specify (Participate in dialogue with small holders and NGOs)	20	In 2019, Kao participated in the Stakeholder Engagement (SHE) program organized by Caux Round Table Japan and visited a small-scale palm farm (Tier-4) in Indonesia to engage in dialogue with farmers and others. In Jambi Province, we participated in a meeting with a group of small independent farmers not associated with any specific palm oil plantation company. This group was formed to receive the Group Certification by RSPO, and works under the guidance of a local NGO to improve farm management practices and engage in cooperative shipping. During the meeting, we also heard from farmers who are moving forward with their own palm replanting projects with the cooperation of the government and local governments. Through this activity, Kao recognizes the need to improve the productivity of palm trees and daily life of farmers in small palm plantations. Therefore, Kao decided to start a support program for small palm plantations (Tier-4) in cooperation with a palm kernel oil supplier (Tier-1). The detail is under consideration.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.8**

**(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?**

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building Other	Supplier questionnaires on environmental and social indicators Supplier audits Organizing capacity building events Other, please specify (CDP Supply Chain Program)	51-60%	Kao's purchasing department convenes key business partners every year to hold the vendor summit to promote the overall ESG activities including Kao's Forest related commodity (Timber and Palm).We administer a Self-Assessment Questionnaire (SAQ; social and environmental aspects) for all Tier-1 suppliers. - Main strategy of engagement Toward the aim of "contributing to the realization of social sustainability," Kao respects the "Ten Principles of the United Nations Global Compact" in procurement, asks its business partners to consider "social responsibility" and "the environment," and prioritizes procurement from business partners who comply with it. Kao will also make these guidelines known to all business partners, strive to understand the status of compliance, and take appropriate measures, such as guidance on improvements including audits and cancellation of transactions if there is a violation. Kao has established the Guidelines for Supplier's Assessment, which stipulates environmental, safety, legal, and other initiatives for all Tier-1 suppliers. We request our suppliers to perform this self-assessment, and we monitor the results to confirm their compliance with the Guidelines. We also request our main suppliers to respond to surveys under the CDP Supply Chain Program. - Case study As a result of monitoring the self-assessment results, we visited suppliers who had not met the criteria last year, shared issues with them, and requested them to work on making specific improvements as audit. In addition, regarding the forest issues addressed by the CDP Supply Chain Program, we requested 27 of our paper and pulp suppliers to respond to a survey in order to conserve the forests throughout the entire supply chain in 2019.
Palm oil	Yes, working with direct suppliers	Supply chain mapping Capacity building Other	Supplier questionnaires on environmental and social indicators Developing or distributing supply chain mapping tool Organizing capacity building events Other, please specify (CDP Supply Chain Program)	51-60%	Kao's purchasing department convenes key business partners every year to hold the vendor summit to promote the overall ESG activities including Kao's Forest related commodity (Timber and Palm).We administer a Self-Assessment Questionnaire (SAQ; social and environmental aspects) for all Tier-1 suppliers. - Main strategy of engagement Toward the aim of "contributing to the realization of social sustainability," Kao respects the "Ten Principles of the United Nations Global Compact" in procurement, asks its business partners to consider "social responsibility" and "the environment," and prioritizes procurement from business partners who comply with it. Kao will also make these guidelines known to all business partners, strive to understand the status of compliance, and take appropriate measures, such as guidance on improvements including audits and cancellation of transactions if there is a violation. Kao has established the Guidelines for Supplier's Assessment, which stipulates environmental, safety, legal, and other initiatives for all Tier-1 suppliers. We request our suppliers to perform this self-assessment, and we monitor the results to confirm their compliance with the Guidelines. We also request our main suppliers to respond to surveys under the CDP Supply Chain Program. - Case study As a result of monitoring the self-assessment results, we visited suppliers who had not met the criteria last year, shared issues with them, and requested them to work on making specific improvements. In addition, regarding the forest issues addressed by the CDP Supply Chain Program, we requested 6 of our palm oil suppliers to respond to a survey in order to conserve the forests throughout the entire supply chain in 2019.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.9

**(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?**

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Supply chain mapping Other	Other, please specify (Gather information on the environment and society of indirect suppliers)	By purchasing certified products and by using WWF Japan's Forest Product Procurement Checklist, Kao confirms the forests are sustainable in society, the environment, and economically through the Tier-1 suppliers. At the end of 2019, the ratio of certified raw material was 91%. Most of the rest was checked with WWF Japan's check list. Therefore, Kao regards almost 100% traceability was established. - Tier 1: Printing companies, paper package companies, cardboard companies; about 100 companies - Tier 2: About 50 paper companies - Tier 3: Sawmills, chip factories, approximately 1000 companies Kao will work with Tier 1 suppliers for requesting improvements to Tier 2 or Tier 3 suppliers if the checklist reveals them non-sustainable suppliers or reveals them that they do not respect the rights of the indigenous people. If no improvement is expected, Kao will consider canceling the deal. No such cases occurred in 2019.
Palm oil	Yes, working beyond first tier	Supply chain mapping Capacity building	Developing or distributing supply chain mapping tools On-site meetings with indirect suppliers Supplier audits	In Indonesia and Malaysia, Palm oil suppliers include a palm kernel oil refinery (Tier-1), a palm nuclear oil extraction plant (Tier-2), a palm oil extraction plant (Tier-3), and a palm plant (Tier-4). For palm kernel oil plants (Tier 2) in Indonesia and Malaysia, we are conducting a proactive survey of the risks of the palm kernel oil plant (Tier-2) based on third-party verification, and on the palm oil extraction plant (Tier 3) for mills that are judged to be high risk by risk mapping described in the traceability section. By 2018, a third-party verification of 11 plants representing the Central Region of the palm kernel oil plant (Tier 2) 90 plants was conducted. In addition, on-site surveys of eight of the 862 palm oil extraction plants (Tier-3) and verification based on information on palm kernel oil suppliers (Tier-1) were conducted. Improvement proposals and requests were made for each issue. With regard to Palm Farm (Tier-4), we first collect information at dialogue meetings organized by NGOs to understand the current state of small farms, and formulate specific engagement measures. As a concrete initiative, in 2019, Kao participated in the Stakeholder Engagement (SHE) program organized by Caux Round Table Japan and visited a small-scale palm farm (Tier-4) in Indonesia to engage in dialogue with farmers and others. In Jambi Province, we participated in a meeting with a group of small independent farmers not associated with any specific palm oil plantation company. This group was formed to receive the Group Certification by RSPO, and works under the guidance of a local NGO to improve farm management practices and engage in cooperative shipping. During the meeting, we also heard from farmers who are moving forward with their own palm replanting projects with the cooperation of the government and local governments. Kao recognized that productivity improvement of palm tree and daily life improvement of farmers in small palm plantations are required in this activity. Therefore, Kao decided to start a support program for small palm plantations (Tier-4) in cooperation with a palm kernel oil supplier (Tier-1). The detail is under consideration.
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

**F6.10**

**(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?**

**Forest risk commodity**

Timber products

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in multi-partnership or stakeholder initiatives

**Initiatives**

UN Global Compact

Forest Stewardship Council (FSC)

Other, please specify (JBIB, CSPU)

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

Kao is the board member of Consumer Goods Forum. We have participated in JBIB (Japan Business Initiative for Conservation and Sustainable Use of Biodiversity) that is an initiative where Japanese companies having high motivation to an action about the conservation of biodiversity and the sustainable use of natural capital. We participate in JBIB since its founding and play a role of vice president and contribute to level-up of members by introducing and promoting our activities for the reduction of deforestation. We also participate in CSPU (Consortium for Sustainable Paper Use) in order to improve social awareness and enhance the use of socially and environmentally responsible paper use. To achieve this objective, we hold information seminar and share our experience with other actors in collaboration with WWF and other participating companies. We also sponsored FSC Forest Week 2019, a promoting campaign sponsored by FSC Japan to convey the importance of protecting the forest. "FSC Forest Week 2019" is held by FSC Japan, which promotes awareness of FSC, and aims to spread the means of forest conservation that anyone can participate in by "choosing FSC certified products" to consumers and businesses in order to solve the deforestation problem. Kao was the only company in Japan to sponsor this campaign and worked to expand the spread of FSCs in Japan.

---

**Forest risk commodity**

Palm oil

**Do you participate in activities/initiatives?**

Yes

**Activities**

Involved in multi-partnership or stakeholder initiatives

**Initiatives**

UN Global Compact

Roundtable on Sustainable Palm Oil (RSPO)

Other, please specify (JBIB, Bluenumber, SUSTAIN, JaSPON)

**Jurisdictional approaches**

<Not Applicable>

**Please explain**

Kao is the board member of Consumer Goods Forum. We have participated in JBIB (Japan Business Initiative for Conservation and Sustainable Use of Biodiversity) that is an initiative where Japanese companies having high motivation to an action about the conservation of biodiversity and the sustainable use of natural capital. We participate in JBIB since its founding and play a role of vice president and contribute to level-up of members by introducing and promoting our activities for the reduction of deforestation. Kao participates in Bluenumber and SUSTAIN to check the traceability of palm plantations, especially small-scale farmers. In particular, Kao is the founding member of SUSTAIN. In 2019, we participated in a project to create traceability confirmation to Palm Farm and a working group on blockchain, SUSTAIN's key technology, to promote traceability to Palm Farm. In order to spread sustainable palm oil to the industry and the market, JaSPON was established in 2019 in collaboration with NGOs, manufacturers, retailers, etc. in Japan. Kao, as a board member of JaSPON, promotes it to spread sustainable palm oil in cooperation with its members.

---

**F6.11**

**(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?**

Yes

---

**F6.11a**

**(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).**

**Project reference**

Project 1

**Project type**

Reforestation

**Primary motivation**

Voluntary

**Description of project**

Thailand is one of Kao's most important countries in Asia with manufacturing sites. However, as economic growth progresses, people are suffering from floods and smoke damage caused by rapid deforestation and concentration of population in cities. Aiming to Contribute to Thailand's society, especially to improve the situation of rapid deforestation in northern Thailand and other environmental problems caused by it, Kao conduct an environmental conservation project in northern Thailand with partnership of OISCA and OISCA Thailand. Not only supporting afforestation and forest management, we also contribute to the income improvement and technology acquisition of community residents by exploring how to make use of the formed forest and how to coexist with forest by promoting agroforestry.

**Start year**

2012

**Target year**

2022

**Project area to date (Hectares)**

38

**Project area in the target year (Hectares)**

44

**Country/Area**

Thailand

**Latitude**

20.2206

**Longitude**

100.20355

**Monitoring frequency**

Six-monthly or more frequently

**Measured outcomes to date**

Biodiversity

**Please explain**

Once a year, when a tree-planting event is held, Kao's employees visit the site to observe the situation of the forest. In addition, local staff of NGOs are stationed at the site, and inspections and technical guidance are provided as appropriate. Visits of NGO members in Bangkok are conducted about once every two months. In the first phase from 2012 to 2017, the project completed its goal of planting 42,500 trees on 35 hectares of land. And in the area afforested in the first phase of the project, crops were cultivated and community residents were provided opportunities to obtain cultivation knowledge and techniques, which supports them to increase their income through selling the harvested crops. In the second phase of the project, 9 hectares of land will be planted with trees over three years. In addition, of the forest that was formed in the first phase, approximately 1.6 hectares of land will be used in agroforestry to grow crops such as bamboo shoots, ginger and bananas. In 2019, the first year of the second phase, 4300 trees were planted on 3 hectares land.

---

## F7. Verification

---

### F7.1

**(F7.1) Do you verify any forests information reported in your CDP disclosure?**

Yes

---

#### F7.1a

**(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?**

**Disclosure module**

F6. Implementation

**Data points verified**

Timber Ratio of certified paper/pulp materials (%) Palm Oil Certified palm oil purchases (thousand tons)

**Verification standard**

ISAE3000

**Please explain**

Kao has been promoting zero-deforestation activities targeting timber and palm oil that the Kao Group purchases globally. Purchasing certified products is a major component of these activities, and we consider it essential to objectively evaluate their progress. Accordingly, we selected the above data points as the targets for verification with regard to timber and palm oil that the Kao Group purchases globally.



## F8. Barriers and challenges

---

### F8.1

---

**(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.**

**Forest risk commodity**

Timber products

**Coverage**

Other parts of the value chain

**Primary barrier/challenge type**

Land tenure and insecure property rights issues in sourcing regions

**Comment**

---

**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Primary barrier/challenge type**

Supply chain complexity

**Comment**

---

### F8.2

---

**(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.**

**Forest risk commodity**

Timber products

**Coverage**

Other parts of the value chain

**Main measure**

Increased demand for certified products

**Comment**

---

**Forest risk commodity**

Palm oil

**Coverage**

Supply chain

**Main measure**

Investment in monitoring tools and traceability systems

**Comment**

---

## F17 Signoff

---

### F-FI

---

**(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

### F17.1

---

**(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.**

	Job Title	Corresponding job category
Row 1	Representative Director, President and Chief Executive Officer	Chief Executive Officer (CEO)

---