

Welcome to your CDP Forests Questionnaire 2022

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 four divisions. The Hygiene and Living Care Business offers fabric care products including detergents for apparel use, and home care products including detergents for kitchen use and hygiene products and paper diapers. The Health and Beauty Care Business offers premium skincare products such as face washes, as well as premium hair care products including shampoos, hair styling products and hair coloring products, among others. The Life Care Business provides food and beverage products such as drinks and professional use products. The Cosmetic Business provides cosmetics such as lotion, foundation and lipstick. 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 Hygiene and Living Care Business accounted for 36.4% of total turnover in fiscal 2021; The Health and Beauty Care Business, 26.2%; The Life Care Business, 3.8%; The Cosmetic Business, 16.9%; and The Chemical Business, 16.7%. The Company reported JPY 1,418.8 b in revenues and 33,507 permanent employees at December 31, 2021.

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, 2021	December 31, 2021

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 (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization’s area of operation.

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Manufacturing	
Palm oil	Disclosing	Manufacturing	
Cattle products	This commodity is not produced, sourced or used by our organization		
Soy	This commodity is not produced, sourced or used by our organization		
Other - Rubber	This commodity is not produced, sourced or used by our organization		
Other - Cocoa	This commodity is not produced, sourced or used by our organization		
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

F0.6

(F0.6) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.?)

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	JP3205800000

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
Indonesia
Japan
New Zealand
Taiwan, 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

% 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.

	% of revenue dependent on commodity	Comment
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 81% of our total revenue.
Palm oil	71-80%	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 79% of our total revenue is dependent on the products containing palm and palm (kernel) oil derivatives.

F1.5

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

	Data availability/Disclosure
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Timber products	Consumption data available, disclosing
Palm oil	Consumption data available, disclosing

F1.5a

(F1.5a) Disclose your production and/or consumption figure, and the percentage of commodity volumes verified as deforestation- and/or conversion-free.

Forest risk commodity

Timber products

Data type

Consumption data

Commodity production/ consumption volume

276,000

Metric for commodity production/ consumption volume

Metric tons

Data coverage

Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?

Yes

% of reported volume verified as deforestation- and/or conversion-free

96

Please explain

Kao is promoting the purchase of FSC and PEFC certified products as a means of procuring deforestation-free paper and pulp. In 2021, 96% of all certified paper and pulp purchases were made. We are aiming for 100% by 2025.

Forest risk commodity

Palm oil

Data type

Consumption data

Commodity production/ consumption volume

495,000

Metric for commodity production/ consumption volume

Metric tons

Data coverage

Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?

Yes

% of reported volume verified as deforestation- and/or conversion-free

27

Please explain

Kao is promoting the purchase of RSPO certified products as a means of procuring palm oil without deforestation. In 2021, 27% of all certified palm oil purchases were made. We are aiming for 100% by 2025.

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

Timber products

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

% of total production/consumption volume

100

Please explain

Kao's procurement of paper and pulp in three countries (Japan, the U.S. , Canada and North Europe) accounts for 70%. Kao's procurement of paper and pulp in other countries accounts for 30%. All of these do not include risk countries/areas. Our procurement are 100% from any other countries/areas. Kao manages all information on paper and pulp, including the amount procured, through the Internal company system.

Forest risk commodity

Palm oil

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Reau

% of total production/consumption volume

43

Please explain

Kao manages all information on palm oil, including the amount procured, through the Internal company system.

Forest risk commodity

Palm oil

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction

Perak

% of total production/consumption volume

50

Please explain

Kao manages all information on palm oil, including the amount procured, through the Internal company system.

Forest risk commodity

Palm oil

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

% of total production/consumption volume

7

Please explain

Kao manages all information on palm oil, including the amount procured, through the Internal company system.

F1.5e

(F1.5e) How does your organization produce or consume biofuel derived from palm oil?

Does your organization produce or consume biofuel derived from palm oil?

No

Data type

Volume produced/consumed

Metric

Country/Area of origin

State or equivalent jurisdiction

% of total production/consumption volume

Does the source of your organization's biofuel material come from smallholders?

Comment

F1.6

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

No

F1.7

(F1.7) Indicate whether you have assessed the deforestation or conversion footprint for your disclosed commodities over the past 5 years, or since a specified cutoff date, and provide details.

Forest risk commodity

Timber products

Have you monitored or estimated your deforestation/conversion footprint?

No, but we plan to monitor or estimate our deforestation/conversion footprint in the next two years

Coverage

Reporting deforestation/conversion since a specified cutoff date or during the last five years?

Known or estimated deforestation/ conversion footprint (hectares)

Describe methods and data sources used to monitor or estimate deforestation/ conversion footprint

Forest risk commodity

Palm oil

Have you monitored or estimated your deforestation/conversion footprint?

No, but we plan to monitor or estimate our deforestation/conversion footprint in the next two years

Coverage

Reporting deforestation/conversion since a specified cutoff date or during the last five years?

Known or estimated deforestation/ conversion footprint (hectares)

Describe methods and data sources used to monitor or estimate deforestation/ conversion footprint

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

Issues considered

- Availability of forest risk commodities
- Quality of forests risk commodities
- Impact of activity on the status of ecosystems and habitats
- Regulation
- Climate change
- Impact on water security
- Tariffs or price increases
- Loss of markets
- Leakage markets
- Brand damage related to forests risk commodities
- Corruption
- Social impacts

Stakeholders considered

- Customers
- Employees
- Investors
- Local communities
- NGOs

Other forest risk commodity users/producers at a local level
 Regulators
 Suppliers

Please explain

The most significant risk for Kao is brand damage related to forest risk commodities. This issue was determined by internal company method as a result of a comprehensive risk survey conducted by the Risk and Crisis Management Committee for each department and subsidiary. If customers were perceived as a brand that uses non-environmentally friendly paper, Kao would lose our brand images and sales opportunities. Kao recognizes it's important to identify the places of origin of all supplied pulp and paper.

So Kao developed internal company methods to identify the places of origin of all supplied them.

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 checklist. In 2021, the proportion of non-certified products was 4%.

Kao use WWF Japan's Responsible Purchasing Checklist for Forest Products (WWF checklist) to assess the origin and risk for non-certified pulp and paper. 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. WWF 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.

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.

The activities above are implemented in collaboration with external consultants.

Kao confirmed if the name of the suspected company was on WWF checklist on which Tire1 business partner was listed. Kao promptly requested that Tire1 suppliers improve, and suspended transactions of the timber products until they were improved. In 2020, when Uygur Autonomous Region in China captured people's attention, Kao reviewed Kao's pulp and cotton supply chains based on WWF checklist and confirmed that they were not purchased from the region.

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

SUSTAIN

Issues considered

Availability of forest risk commodities

Quality of forests risk commodities

Impact of activity on the status of ecosystems and habitats

Regulation

Climate change

Impact on water security

Tariffs or price increases

Loss of markets

Leakage markets

Brand damage related to forests risk commodities

Corruption

Social impacts

Stakeholders considered

Customers

Employees

Investors

Local communities

NGOs

Other forest risk commodity users/producers at a local level

Regulators

Suppliers

Please explain

The most significant risk for Kao is brand damage related to forest risk commodities.

This issue was determined by internal company method as a result of a comprehensive risk survey conducted by the Risk and Crisis Management Committee for each department and subsidiary.

If customers were perceived as a brand that uses non-environmentally friendly palm oil, Kao would lose our brand images and sales opportunities. Kao recognizes it's important to identify the places of origin of all supplied palm oil. So Kao has identified places of palm oil mill of all supplied palm oil.

Kao has developed internal company methods, to evaluate traceability up to the mills and for both of carrying out a risk-assessment and confirming traceability. The method is

as follows.

(1) Kao obtains supply chain information from refineries (Tier-1) about the name of palm kernel oil mills (Tier-2) and palm oil mills (Tier-3), parent company names, locations (latitude and longitude), etc. and prepares a palm mill list. By contacting Tier-1, Kao confirms the status of NDPE/HCSA/FPIC compliance efforts at Tier-1, its group companies, Tier-2 and Tier-3 in the supply chain. Kao surveys for plantations (Tier-4) by regularly contacting Tier-1 to verify traceability to Tier-4.

In 2019, Kao published a palm mill list of 1,045 palm oil mills and updated in 2021 (887 mills). In 2021, Kao confirmed the compliance status of Malaysian and Indonesian Tier-1 by investigating the activities of NDPE, HCSA, and FPIC.

(2) Kao has prepared a palm mill map from the list in (1) and (i) uses satellite photos etc. to check if there are national parks, protected forests and peatlands within a 50km radius of palm mill, etc., (ii) if there were mills that have caused previous problems in the parent company, etc., (iii) upon information from NGOs is confirmed and identified as risk mill.

(3) Kao hears from Tier-1 regarding risk mills. Kao carries out an on-site survey by third-party to check high risk mills, and requests the mills for improvement, and follows up. External consultants mainly acted in (2) and (3).

We participate in SUSTAIN to confirm the traceability of small farms.

In 2020, Kao obtained a risk information from an NGO for a supplier. Kao confirmed that it had not purchased any risky palm manufactured at the relevant supplier plants in Indonesia and Malaysia.

F2.2

(F2.2) For each of your disclosed commodity(ies), has your organization mapped its value chains?

	Value chain mapping
Timber products	Yes, we have partially mapped the value chain
Palm oil	Yes, we have partially mapped the value chain

F2.2a

(F2.2a) Provide details of your organization’s value chain mapping for its disclosed commodity(ies).

Forest risk commodity

Timber products

Scope of value chain mapping

Own operations

Tier 1 suppliers

% of total suppliers covered within selected tier(s)

100

Description of mapping process and coverage

We conducted a survey of all production plants for Tier-1 suppliers of packaging materials including paper and pulp from Kao Corporation of Japan. Information is shared by mapping based on the address of the production factory in the in-house system.

Your own production and primary processing sites: attach a list of facility names and locations (optional)

Your suppliers' production and primary processing sites: attach a list of names and locations (optional)

Forest risk commodity

Palm oil

Scope of value chain mapping

Own operations
Tier 1 suppliers

% of total suppliers covered within selected tier(s)

99

Description of mapping process and coverage

We conducted a survey of all production plants for Tier-1 suppliers of raw materials containing palm oil from Kao Corporation of Japan. Information is shared by mapping based on the address of the production factory in the in-house system.

Your own production and primary processing sites: attach a list of facility names and locations (optional)

Your suppliers' production and primary processing sites: attach a list of names and locations (optional)

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

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
- Description of the quantifiable indicator used to define substantive financial impact of forests-related risks : Cases that have at least a one billion yen total impact of both additional spending and drop down in sales on operating results

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 60% 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 2020. Kao continues this activity in 2021 also. 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)

4,700,000,000

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial

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 60% of consumers refer to word of mouth such as SNS include negative campaign when they purchase daily necessities such as baby diapers. 47% of sales in the sanitary business to which baby diaper "Merries" belongs are in Japan. In Japan, about 60% 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 4.7 billion yen (=100 billion yen x 47% x (1-60%) x 25%). This is equivalent to 2.8% of Kao's sanitary business (where baby diapers "Merries" belong) of 165.3 billion yen. We recognize that this risk can occur at any time at the moment.

Primary response to risk

Avoidance of sourcing from high-deforestation risk jurisdictions

Description of response

Sales of Kao's disposable diaper "Merries" exceeds JPY100 billion. If reputation and other risks to that product materialize and net sales decline by 5%, there will be a negative impact of JPY5 billion or more. While these risks have not yet surfaced, Kao recognizes that the risk of reputation for products that do not use certified products may

become apparent in one to three years as the forest management council (FSC) and other certification systems become well known in the world. Kao has therefore continued to respond to the strategic goals of (i) identifying 100% of paper and pulp origin by 2020, and (ii) replacing all paper and pulp with certified products by 2025.

As a result, in 2021, (i) the verification of the place of origin was completed by 100%, and (ii) the percentage of certified products was 96%. In this way, Kao's progress in identifying the origin of paper and pulp and procuring certified products has remained high relative to its strategic objectives. We also recognize that this response is sufficiently effective because Kao does not have a negative campaign against this risk or the accompanying decline in sales.

Cost of response

1,200,000

Explanation of cost of response

Kao's two measures were not accompanied by increased direct costs. On the other hand, Kao incurs administrative expenses to manage the status of implementation. To manage this risk, each year we require personnel costs for 1 employee (12million JPY/person/Year) to engage 10% of the year. Therefore, the cost required for the response was 1.2 million JPY (=12million JPY/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 2021 were 686.0 billion yen.

In Japan, which accounts for about 73% of sales in these businesses, about 60% 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 since 2014. In 2020, we have confirmed 100% traceability up to palm oil mills and continue in 2021 also.

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)

50,078,000,000

Potential financial impact figure - minimum (currency)

Potential financial impact figure - maximum (currency)

Explanation of financial

The sales of Kao's consumer product business are 1.144 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 686.0 billion yen. In Japan, which accounts for about 73% of sales in these businesses, and about 60% 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 would be 50.078 billion yen (=686.0 billion Yen x 73% x (1-60%) 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 2021 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 have completed traceability to palm oil mills in 2020. We continue this activity from 2021. Further we announced a new goal of completing traceability checks to small farms by 2025 in 2021. 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

3,600,000

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

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 including 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 labelling 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 labelling on paper boxes for laundry detergent ATTACK, and the introduction rate of FSC certified paper into product paper boxes, cardboard and pulp in 2021 has reached about 60%. Kao is also actively promoting the introduction of FSC certified cardboard, and in 2021, it introduced FSC certified paper to almost 100% 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. It was confirmed that the target does not need to be changed in 2021.

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)

2,500,000,000

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

2.5billion yen = 100 billion yes x 2.5%

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 2021, sales of the consumer business in America were 96 billion yen. If 50% of the company's sales (48 billion yen) products were affixed with ethical certification labelling such as RSPO, sales increase is expected by 5%, which is equivalent to 2.1 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 labelling 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 labelling in Taiwan.

Kao's 2021 RSPO certified palm oil (palm oil, palm kernel oil, its derivatives) purchase ratio was 27% of the total palm oil.

Kao released Kao Kirei Lifestyle Plan in April 2020. We announced a new goal of completing traceability checks to small farms by 2025 in 2021. 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)

2,400,000,000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

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 2021, sales of the consumer business in Americas were 96 billion yen. If 50% of the company's sales (48 billion yen) products were affixed with ethical certification labelling such as RSPO, sales increase is expected by 5%, which is equivalent to 2.4 billion yen. We recognize that this opportunity has already become apparent.

2.4 billion yen = 48 billion yen x 5%

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)	<p>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.</p> <p>The ESG Managing 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.</p> <p>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.</p> <p>Our CEO serves as the chairperson of both Committees.</p> <p>In 2021, CEO approved new target such as ensuring the traceability of palm oil to all small plantations, with an RSPO certified oil purchase ratio of 100% in 2025.</p>

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	<p>Monitoring implementation and performance</p> <p>Overseeing acquisitions and divestiture</p> <p>Overseeing major capital expenditures</p> <p>Providing employee incentives</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p>	<p>Reviewing and guiding corporate responsibility strategy, -major plans of action, -strategy, Setting performance objectives:</p> <p>The functions of these four governance mechanisms into which forest-related issues are integrated are covered by the ESG Managing Committee (chairman is CEO) held six times a year in Kao. The contents were supervised by the Board and deliberated more than six times in 2021.</p> <p>Overseeing -acquisitions and divestiture, -major capital expenditures, Providing employee incentives, Reviewing and guiding -annual budgets, -business plans, Reviewing innovation/ R&D priorities:</p> <p>The functions of these six governance</p>

	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	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 2021. 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 2021.
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F4.1d

(F4.1d) Does your organization have at least one board member with competence on forests-related issues?

Row 1

Board member(s) have competence on forests-related issues

Yes

Criteria used to assess competence on forests-related issues

Worked in R&D that is responsible for the development of forest-related products for one year or more, or in divisions related to forest risk management such as the ESG Division and the Supply Chain Management Division, or served as a member of the Risk & Crisis Management Committee.

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	More frequently than quarterly	- A description of the forests-related topics that are reported to the board In 2021, the ESG Managing Committee set new goals as shown in forest-related. These goals, their 2020 results and other forest-related activities were reported to the Board

		<p>of Directors.</p> <p>- Details on the forest-related responsibilities of the individual/committee selected</p> <p>The Internal Control Committee reports the results of Forest-related Monitoring implementation and performance and Reviewing and guiding risk management policies more frequently than quarterly. In 2021 the contents were supervised by the Board and deliberated more than six times. The Internal Control Committee is responsible for summarizing results, identifying risks, managing mitigation activities, and responding when risks become apparent.</p> <p>The ESG Managing 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.</p> <p>The contents were supervised by the Board and deliberated more than six times in 2021. The scope of responsibility of the ESG Managing Committee is Reviewing and guiding corporate responsibility strategy, -major plans of action, -strategy, and Setting performance objectives.</p> <p>The chairman of both committee is CEO. 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.</p>
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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	Kao's directors and executive officers can receive long-term incentive compensation according to ESG strength metrics, including achievement of forest-related targets indicated below. Here, the evaluation of the ESG strength evaluation index is determined by the

		<p>evaluation by external indicators such as DJSI and CDP and the degree of achievement of internal goals. Long-term incentive rewards are paid 0-40% of the basic reward depending on the outcome.</p> <p>Kao recognizes that timber and palm oil are important areas of activity in the ESG strategy Kirei Lifestyle Plan, and for " Responsibly sourced raw materials", increased the ratio of certified paper products and pulp for consumer products by 100%. We have set a 2025 goal to complete traceability checks to small palm plantations and an annual goal to manage progress.</p> <p>Kao recognizes that timber and palm oil affect not only its own operations but also the entire value chain, so it used Sedex and others to make its suppliers aware of the risks of forest and palm oil. We have the goal of conducting "supply chain engagement" and completing risk studies of all suppliers by 2025.</p>
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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	Director on board Chief Executive Officer (CEO)	Achievement of commitments and targets	<p>Kao's directors and executive officers can receive long-term incentive compensation according to ESG strength metrics, including including achievement of forest-related targets. Here, the evaluation of the ESG strength evaluation index is determined by the evaluation by external indicators such as DJSI and CDP and the degree of achievement of internal goals. Long-term incentive rewards are paid 0-40% of the basic reward depending on the outcome.</p> <p>i) Kao recognizes that timber and palm oil are important areas of activity in the ESG strategy Kirei Lifestyle Plan, and for " Responsibly sourced raw materials", increased the ratio of certified paper products and pulp for consumer products by 100%. We have set a 2025 goal to complete traceability checks to small palm plantations and an annual goal to manage progress.</p> <p>Kao recognizes that timber and palm oil affect not only its own operations but also the entire value chain, so it used Sedex and others to make its suppliers aware of the risks of forest and palm oil. We have the goal of conducting "supply chain engagement" and completing risk studies of all suppliers by 2025.</p> <p>ii) iii) The ratio of certified paper products and pulp</p>

			has been 100%, traceability confirmation to small palm plantations has been completed, and risk surveys for all suppliers have been completed. The progress of each is evaluated. 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 (2020: (2020-2015)/(2020-2015))x100=100%) (in this case, 100%/100%=100%), and if this ratio exceeds 100%, it is considered successful.
Non-monetary reward	Chief Sustainability Officer (CSO) Chief Purchasing 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)

 securities-fy2021-all-01.pdf

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 conversion of natural ecosystems Commitment to eliminate deforestation Commitment to remediation, restoration and/or compensation of past harms	Kao states that Kao Way’s mission is “As one, we create a Kirei life for all—providing care and enrichment for the life of all people and the planet”. Not only consumers and customers, but also suppliers for forest-related raw materials and neighboring residents of plantations and forests are the targets for our mission. i) “providing care and enrichment for the life of all people and the planet” means “comprehensiveness”. Because

		<p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound milestones and targets</p> <p>Description of forests-related standards for procurement</p>	<p>Kao values this comprehensiveness, so the following items are included in the policy.</p> <ul style="list-style-type: none"> - Commitment to eliminate conversion of natural ecosystems - Commitment to remediation, restoration and/or compensation of past harms - 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 <p>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.</p> <ul style="list-style-type: none"> - 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 <p>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.</p> <ul style="list-style-type: none"> - List of timebound milestones and targets - Description of forests-related standards for procurement <p>Kao confirms the need for policy revision every year at the ESG Management Committee. When it is necessary to revise it, it is formulated by the ESG Management Committee and approved by the Board.</p> <p>Kao is conducting the following activities to implement the Policy.</p> <p>Conducted social and environmental due diligence for all suppliers, including those provided by Forest-related commodities. Conducted a third-party audit of suppliers evaluated as high risk as a result of due diligence. We are asking more important Forest-related commodity</p>
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			suppliers for CDP responses through the CDP-SC Program.
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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
Timber products	Yes	Company-wide	Commitment to eliminate conversion of natural ecosystems 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	Kao states that Kao Way's mission is "As one, we create a Kirei life for all—providing care and enrichment for the life of all people and the planet". Not only consumers and customers, but also suppliers involved in the supply of timber products and neighbouring residents of forests are the targets for our mission. i) "providing care and enrichment for the life of all people and the planet" 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 -'Commitment to eliminate conversion of 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

			<p>covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related standards for procurement</p>	<p>following items are specified in the policy.</p> <ul style="list-style-type: none"> - 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 <p>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.</p> <ul style="list-style-type: none"> - List of time-bound milestones and targets - Description of forests-related standards for procurement <p>Kao confirms the need for policy including goal, actions revision every year at the ESG management Committee. When it is necessary to revise it, it is formulated by the ESG Management Committee and approved by the Board.</p> <p>Kao has set the following goals to implement the Policy in 2021.</p> <p>100% certified paper products and pulp used in household products by 2025.</p>
Palm oil	Yes	Company-wide	<p>Commitment to eliminate conversion of natural ecosystems</p> <p>Commitment to no land clearance by burning or clearcutting</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no</p>	<p>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.</p> <p>i) “providing care and enrichment for the life of all people and the planet” means “comprehensiveness”. Because Kao values this comprehensiveness, so the following are in the policy.</p> <ul style="list-style-type: none"> - Commitment to eliminate deforestation - Commitment to protect rights and

		<p>planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to best management practices for soils and peat</p> <p>Commitment to take action beyond own supply chain to tackle environmental issues</p> <p>Commitment to resolving both social and environmental issues in own operations and supply chain</p> <p>Recognition of the overall importance of forests and other natural ecosystems</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business,</p>	<p>livelihoods of local communities</p> <ul style="list-style-type: none"> - Commitments beyond regulatory compliance - Recognition of the overall importance of forests and other natural ecosystems - Commitment to eliminate conversion of natural ecosystems <p>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 are specified in the policy.</p> <ul style="list-style-type: none"> - 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 <p>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 are in the policy.</p> <ul style="list-style-type: none"> - List of time-bound milestones and targets - Description of forests-related standards for procurement <p>iv) Palm activity</p> <p>We have published our policy and efforts for sustainable palm oil procurement, including the following, on our website for engagement with small-scale farmers.</p> <ul style="list-style-type: none"> -Commitment to no land clearance by burning or clearcutting -Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) -Commitment to best management practices for soils and peat -Commitment to take action beyond
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			<p>and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related standards for procurement</p>	<p>own supply chain to tackle environmental issues</p> <p>-Commitment to resolving both social and environmental issues in own operations and supply chain</p> <p>Kao confirms the need for policy including goal revision every year at the ESG management Committee. When it is necessary to revise it, it is formulated by the ESG Management Committee and approved by the Board.</p> <p>Kao set the following goals to implement the Policy in 2021.</p> <p>-By 2025, 100% RSPO certified palm oil will be used for consumer and industrial applications.</p> <p>- Complete traceability confirmation to small palm plantations by 2025.</p>
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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

Other, please specify

The Consumer Goods Forum, We Mean Business

F4.6b

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

Forest risk commodity

Timber products

Criteria

No conversion of natural ecosystems

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

2021-25

Please explain

Kao aims to eliminate deforestation. Kao's Sustainable Procurement Guidelines for Paper and Pulp are working to increase the percentage of purchased FSC and PEFC certified products to achieve zero deforestation.

The FSC's Principles and Standards set out the rights of indigenous peoples (FPIC) in Principle 3 and prohibit the conversion of natural forests to non-forest land use in Principle 6.9 (no deforestation, no conversion of natural eco system). Similar requirements are also stipulated in PEFC. Kao recognizes that promoting switching to FSC-certified products or PEFC certified products is an activity in meet of declarations such as "no deforestation/no deforestation" and "safe freedom, prior and informed consent (FPIC) of indigenous and local communities".

Kao is promoting the procurement of certified products to carry out FPIC. Because promoting the procurement of certified products is the activity of 'No conversion of natural ecosystems,' 'Zero gross deforestation / no deforestation' and 'Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities'. Because it also serves as.

In order to purchase as a certified product, it is necessary to satisfy the following two certifications.

- (1) Certification to examine whether forests are managed responsibly (FM certification)
- (2) Certification that has been examined Certification that examines the processing and distribution process until the certified material harvested from the forest reaches the hands of consumers (COC certification)

This (2) COC certification goes through a long and complicated processing and distribution process until it reaches the consumer, but it is necessary to confirm that it will not be mixed with ineligible wood in the process.

In addition, since all organizations involved in production, processing, and distribution must be certified before the certified products reach consumers, we have obtained COC

certification for all suppliers in this supply chain. You need to do it.

When we checked the COC certification on the supply chain, we found that some suppliers could not obtain the COC certification, and we have endeavored to understand the importance of the COC certification and request the acquisition of the COC certification from these suppliers.

In 2020, in Indonesia, the purpose, goal, and mechanism of certification of Kao's "Sustainable Pulp and Paper Procurement Guidelines" were explained to suppliers who have not yet acquired FSC certification in some supply chains, and they requested that they acquire FSC certification (CoC). As a result, Kao agreed to obtain certification for all supply chains in Indonesia. Suppliers are also requested to provide FSC and PEFC certified goods on an ongoing basis.

In 2021, Kao has obtained COC approval from a supplier of paper materials that are used in some of the sanitary products procured mainly in Indonesia. Furthermore, in order to advance the certification paper acquisition target as planned, both the local subsidiary and the head office share information on the timing and amount of switching to certified products.

As a result of implementing these measures, the percentage of certified products in 2021 reached 96% of the total products, an increase of 2 points from 94% in 2020. Kao's share of FSCs and PEFC certified products is increasing year by year.

Forest risk commodity

Palm oil

Criteria

- No conversion of natural ecosystems
- Zero gross deforestation/ no deforestation
- No new development on peat regardless of depth
- No land clearance by burning or clearcutting
- No conversion of High Conservation Value areas
- No conversion of High Carbon Stock forests
- Implementation of Nature-based Solutions that support landscape restoration and long-term protection of natural ecosystems
- 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

2021-25

Please explain

Kao supports zero deforestation. Kao's Guidelines for Sustainable Procurement of Palm Oil stipulates action guidelines to achieve zero-deforestation, such as ensuring that the guidelines meet RSPO's Principles and Standards, and ensuring traceability. RSPO's "Principles and Standards" Standard 7.12.1 requires that clearing after November 2005 does not compromise HCV.

Kao conducts risk assessments of palm oil deforestation and peatland development using the following procedures, and respond based on the results. Kao recognizes that this activity is meet to 'No conversion of natural ecosystems', 'Zero gross deforestation / no deforestation' and 'Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities'.

(1) Kao obtains supply chain information from refineries (Tier-1) about the name of palm kernel oil mills (Tier-2) and palm oil mills (Tier-3), parent company names, locations (latitude and longitude), etc. and prepares a palm mill list. By contacting refineries (Tier-1), Kao confirms the status of NDPE/HCSA/FPIC compliance efforts at refineries (Tier-1), refineries' group companies, palm kernel oil mills (Tier-2) and palm oil mills (Tier-3) in the supply chain. Kao conducts surveys of plantations (Tier-4) by regularly contacting refineries (Tier-1) to verify traceability to palm plantations (Tier-4).

In 2019, Kao published a palm mill list describing 1,045 palm oil mills and updated the list in 2020 (1,027 palm oil mills). In 2020, Kao requested and confirmed that 8 Indonesian and Malaysian refineries (Tier1) comply with NDPE/HCSA.

(2) Kao has prepared a palm mill map from palm mill list confirmed in (1) and (i) uses satellite photographs and other information to check whether there are national parks, protected forests and peatlands within a 50km radius of palm mill location, etc., (ii) whether there are mills that have caused previous problems in the parent company, etc., (iii) if information from NGOs is confirmed and identified as risk mill. In 2018, Kao released a palm mill map describing the locations of 90 palm kernel oil mills and 862 palm oil mills.

(3) Kao holds hearings with refinery (Tier-1) regarding palm oil mills deemed risk mills. In addition, Kao carries out an on-site survey by third-party in response to palm oil mills that are judged to be extremely high-risk (high risk mills), and requests the mills for improvement, and follows up. By 2019, Kao had conducted on-site surveys of 8 mills and informational verifications from refineries (Tier-1). Kao plans to conduct an audit if it determines that there is a problem in the future.

The activities described in (2) and (3) above are implemented in collaboration with External consultants.

Kao is considering asking suppliers who are involved in deforestation and do not respect the rights of indigenous peoples to improve or cease trading. For suppliers whose RSPO certification was suspended in 2016 due to deforestation complaints, Kao asked the company to stop supplying until improvements were confirmed through objective verification by a third party appointed by RSPO and repeatedly communicated with suppliers to confirm progress.

In March 2020, Kao requested the Supplier to comply with NDPE on our website and declared that it would preferentially purchase from suppliers that comply with HCSA. In March 2021, Kao requested that its Indonesian and Malaysian refineries (Tier-1) comply with NDPE/HCSA /FPIC at their own companies, its group companies, and palm kernel mill (Tier-2) in the supply chain, and palm oil mill(Tier-3).

In 2021, we confirmed the compliance status of Malaysian and Indonesian oil and fat suppliers (Tier-1) by investigating and confirming the activities of NDPE, HCSA, and FPIC compliance.

F5. Business strategy

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	<p>Kao formulated a long-term strategy in 2016 to become a global presence by 2030 by "contributing to the sustainability of society" by solving social issues through business activities and social contribution activities and realizing sustainable "profitable growth." In 2019, Kao formulated an ESG Strategic "Kirei Lifestyle Plan" aimed at 2030. It includes the following forest related commodities strategies: Respond to expanding ethical consumer markets by promoting sustainable palm oil and paper/pulp procurement and demonstrating to products the use of sustainable palm oil and paper/pulp.</p> <p>To procure raw materials, we promote activities by setting a two-stage target. As the first step, by 2020 we aimed 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.</p> <p>For palm oil, traceability to palm oil mill was confirmed almost 100% in 1st step.</p> <p>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.</p>

			<p>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).</p> <p>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.</p> <p>For pulp and paper, for the 1st step, Kao established 100% traceability to the origin, of which 96% was certified products in 2021.</p> <p>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).</p> <p>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.</p>
<p>Strategy for long-term objectives</p>	<p>Yes, forests-related issues are integrated</p>	<p>11-15</p>	<p>In 2016, Kao formulated the "Vision to be Achieved by 2030. Accordingly, in 2019, Kao formulated an ESG Strategic "Kirei Lifestyle Plan" for 2030. Activities related to Forest related commodities, such as purchasing palm oil and paper/pulp, are managed and promoted under one of the key activities of the "Kirei Lifestyle Plan", which is responsible for procuring raw materials. Kao's business depends heavily on natural capital. In particular, Kao's objective is to raise Forest related commodities with due consideration for environmental and social aspects by 2030.</p> <p>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.</p>

			<p>Kao launched SMILE (Smallholder Inclusion for better Livelihood & Empowerment) program in 2020 to help Indonesian small-scale palm farms improve productivity and acquire certification for sustainable palm oil. Kao aims to provide technical guidance for improving productivity, curb the development of new plantations by increasing yields, support the acquisition of RSPO certification for sustainable palm oil, and improve the livelihoods of producers through dialogue with producers in order to resolve issues such as environmental degradation and human rights violations in Indonesia. During the 11-year period from 2020 to 2030, the program was implemented in the provinces of Liau, Jambi, and Northern Sumatra in Indonesia. The target number of small-scale palm plantations is approximately 5000.</p> <p>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 (96% in 2021).</p> <p>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.</p> <p>The affix of FSC labelling on Kao products began in 2013 for the first time in Japan. ATTACK laundry detergents for Taiwan displays the RSPO certification labelling since 2019. Kao expands affixing FSC and RSPO labelling.</p>
Financial planning	Yes, forests-related issues are integrated	11-15	<p>In 2016, Kao formulated the "Vision to be Achieved by 2030." There is also a sales target of JPY2.5 trillion for 2030. In 2019, we formulated an ESG Strategic "Kirei Lifestyle Plan" aimed at 2030. To this end, we have established 19 key initiatives, including responses to Forest related issue, as well as targets for 2030. Kao is working to ensure that these activities have a positive impact on finance.</p> <p>A part of this initiative is the milestone 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 label.</p>

			<p>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.</p> <p>For pulp and paper, the additional cost of introducing certified products from suppliers is almost zero, so the financial impact is almost zero.</p>
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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

Start year

2014

Target year

2020

Quantitative metric

Target (number)

Target (%)

100

% of target achieved

100

Please explain

Kao checks internal traceability methods which consisting of two ways: by purchasing certified products and by using WWF-Japan Forest Products Procurement Checklist to track raw materials from Tier 1 suppliers, identify the original forests, and ensure that the forests are socially, environmentally, and economically sustainable.

By 2018, we had achieved nearly 100% traceability verification through the two measures described above.

In 2020, we confirmed 100% traceability. At first, traceability was checked mainly by the WWF Japan Forest Products Procurement Checklist, and the switch to certified products progressed every year from 2021.

In 2021, the rate of certified products reached 96% (FSC: approx. 62%, PEFC: approx. 34%). Kao aims to achieve 100% certified products by 2025.

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.

Kao's target is to achieve 100% third-party certification by 2025.

Linked commitment

Zero net/gross deforestation

Traceability point

Third-party certification scheme

FSC Chain of Custody
PEFC Chain of Custody

Start year

2019

Target year

2025

Quantitative metric

Target (number)

Target (%)

100

% of target achieved

96

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 order to purchase as a third-party certified product, it is necessary to satisfy the following two certifications.

- (1) Certification to examine whether forests are managed responsibly (FM certification)
- (2) Certification that has been examined Certification that examines the processing and distribution process until the certified material harvested from the forest reaches the hands of consumers (COC certification)

The COC certification of (2) is certified by all organizations involved in production, processing, and distribution in order to confirm that it will not be mixed with ineligible wood in a long and complicated processing and distribution process until it reaches the consumer. All suppliers in this supply chain must be COC-certified as they must be. When Kao confirmed the COC approval in the supply chain, it was found that some suppliers could not obtain the COC approval. Therefore, in order to achieve this goal, Kao annually asks these suppliers to understand the importance of COC approval and to obtain COC approval.

In Indonesia in 2020, Kao explained the objectives, targets, and certification mechanisms of Kao's Guidelines for Procurement of Sustainable Pulp and Paper to suppliers that have not yet acquired FSC certification in some supply chains. As a result of requesting that they acquire FSC certification (CoC), all supply chains agreed to

acquire certification.

In 2021, activities related to paper materials used in some sanitary products, specifically, the increase in the usage ratio of mounts procured in Indonesia and release paper procured in Thailand contributed.

In 2021, both the local subsidiary and the head office shared information on the timing and amount of switching to certified products in order to increase the use of third-party certified paper.

As a result of these activities, the rate of FSC-certified products is increasing year by year.

In 2021, the ratio of certified paper and pulp was 96%, increased 2% from 2020 (94%).

Target reference number

Target 4

Forest risk commodity

Palm oil

Type of target

Traceability

Description of target

Kao has set a milestone of 100% traceability confirmation up to palm oil mills (Tier-3) by 2020.

Kao aims to confirm traceability to Refinery (Tier-1), palm kernel mill (Tier-2), palm oil mill (Tier-3), and palm plantation (Tier-4).

Linked commitment

Zero net/gross deforestation

Traceability point

Mill

Third-party certification scheme

Start year

2014

Target year

2020

Quantitative metric

Target (number)

Target (%)

100

% of target achieved

100

Please explain

In 2020, Kao has established 100% traceability of palm oil supply chain up to palm oil mill (Tier-3), and to post a palm mill list on our website.

By working with Refineries (Tier-1) and NGOs, Kao aims to ensure traceability to palm plantations (Tier-4).

In order to achieve this goal, traceability up to palm oil mill (Tier-3) was confirmed by the following procedure.

Kao obtains supply chain information from refineries (Tier-1) about the name of palm kernel oil mills (Tier-2) and palm oil mills (Tier-3), parent company names, locations (latitude and longitude), etc. and prepares a palm mill list. By contacting refineries (Tier-1), Kao confirms the status of NDPE/HCSA/FPIC compliance efforts at refineries (Tier-1), refineries' group companies, palm kernel oil mills (Tier-2) and palm oil mills (Tier-3) in the supply chain.

Kao continues this activities.

Target reference number

Target 5

Forest risk commodity

Palm oil

Type of target

Third-party certification

Description of target

Kao has set a target of "zero deforestation" and purchase RSPO certified oil as one way to achieve it. Target set for RSPO certification of all palm oil used in consumer products by the end of 2020.

Linked commitment

Zero net/gross deforestation

Traceability point

Third-party certification scheme

RSPO Mass Balance

Start year

2016

Target year

2020

Quantitative metric

Target (number)

Target (%)

100

% of target achieved

100

Please explain

Kao aimed to purchase an amount equivalent to the total amount of palm oil used for consumers in 2020 with RSPO certified oil and achieved it.

In 2021, Kao achieved 100% by using Mass Balance products only.

As a next step, Kao set a target to make it a 100%RSPO certified oil not only for consumers products but for industrial applications by 2025.

We recognize that efforts to increase the supply of RSPO certified oil are also important in order to procure sufficient oil. In 2021, Kao worked on various industries, participated in Jaspon, and participated in consumer recognition activities at Consumer Goods Forum in order to raise awareness of RSPO certified oils.

Target reference number

Target 6

Forest risk commodity

Palm oil

Type of target

Engagement with smallholders

Description of target

Kao, together with Apical Group of oils and fats manufacturing and sales companies, and Asian Agri, a plantation company, established a support program in 2020. By providing educational support for small-scale plantations to improve yield of palm oil, the program aims to support 5000 small-scale plantations in three provinces of Indonesia-Sumatra (Reau, Jambi, and Northern Sumatra) to acquire RSPO certification by 2030.

Linked commitment

Zero net/gross deforestation

Traceability point

Third-party certification scheme

Start year

2020

Target year

2030

Quantitative metric

Target (number)

5,000

Target (%)

% of target achieved

14

Please explain

In 2021, Kao commenced support for approximately 700 small-scale plantations to acquire RSPO certification in three provinces of Indonesia-Sumatra (Reau, Jambi and Northern Sumatra) with local partners. The dedicated plantation manufacturer education team conducted RSPO training sessions as well as safety, fire response, and volume and shipment bookkeeping education.

Target reference number

Target 3

Forest risk commodity

Timber products

Type of target

Assess and/or verify compliance

Description of target

Kao aims to achieve zero deforestation, and guidelines for achieving this are set forth in the raw material procurement guidelines. Suppliers are required to comply with these Guidelines. The target is 100% of paper and pulp purchases meeting the guidelines by 2020.

Linked commitment

Zero net/gross deforestation

Traceability point

Third-party certification scheme

Start year

2014

Target year

2020

Quantitative metric

Target (number)

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.

In 2021, continuing from last year, Kao has evaluated and confirmed 100% of Timber products for compliance.

Target reference number

Target 7

Forest risk commodity

Timber products

Type of target

Engagement with direct suppliers

Description of target

Kao carries out activities to recognize on-site issues and disseminate certified products through direct dialogue with various stakeholders such as suppliers.

Linked commitment

Social commitments

Traceability point

Third-party certification scheme

Start year

2022

Target year

2025

Quantitative metric

Target (number)

Target (%)

100

% of target achieved

60

Please explain

In June 2022, the guideline "Procurement from high-risk supply chains" was set, and collaboration with various stakeholders such as suppliers was set as a new goal. Recognize on-site issues and carry out activities to disseminate certified products through direct dialogue with various stakeholders such as suppliers. At the same time, we are requesting suppliers to join Sedex and confirming the status of compliance with the above guidelines.

Target reference number

Target 8

Forest risk commodity

Palm oil

Type of target

Traceability

Description of target

Ensuring traceability to small-scale farmers

Linked commitment

Zero net/gross deforestation

Traceability point

Plantation

Third-party certification scheme

Start year

2020

Target year

2025

Quantitative metric

Target (number)

Target (%)

100

% of target achieved

0

Please explain

By 2021, we confirmed the traceability to our own farms owned by Tier-1 suppliers. Traceability to small-scale farmers is being implemented in cooperation with Tier-1 suppliers and NGOs. Aiming for completion in 2025. The achievement rate is not disclosed.

Target reference number

Target 9

Forest risk commodity

Palm oil

Type of target

Third-party certification

Description of target

100% RSPO certification, including industrial use, by 2025

Linked commitment

Zero net/gross deforestation

Traceability point

Third-party certification scheme

RSPO Mass Balance
RSPO Book and Claim

Start year

2020

Target year

2025

Quantitative metric

Target (number)

Target (%)

100

% of target achieved

27

Please explain

Initially, Kao set the target that 100% RSPO certified for consumer products and achieved by 2020. As next step, we have set the target 100% RSPO certified products not only for consumers products but for industrial applications by 2025. We recognize that efforts to increase the supply of RSPO certified oil is the most important in order to procure sufficient oil. In 2021, Kao worked on various industries, participated in JaSPON(Japan Sustainable Palm Oil Network), and participated in consumer recognition activities at CGF in order to raise awareness of RSPO certified oils.

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
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 2021, the ratio of certified raw material was 96%. Most of the rest was checked with WWF Japan's check list. Therefore, Kao regards almost 100% traceability was established.	Not applicable

		<ul style="list-style-type: none"> - 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 - Tier 4: Forest management unit <p>If the checklist reveals a non-sustainable supplier, Kao requests improvement or discontinue trading. In 2021, no suppliers are requested for improvement nor discontinue trading.</p>	
Palm oil	Yes	<p>Traceability of palm oil is checked as follows.</p> <p>(1) Kao obtains supply chain information from refineries (Tier-1) about the name of palm kernel oil mills (Tier-2) and palm oil mills (Tier-3), parent company names, locations (latitude and longitude), etc. and prepares a palm mill list. By contacting refineries (Tier-1), Kao confirms the status of NDPE/HCSA/FPIC compliance efforts at refineries (Tier-1), refineries' group companies, palm kernel oil mills (Tier-2) and palm oil mills (Tier-3) in the supply chain. Kao conducts surveys of plantations (Tier-4) by regularly contacting refineries (Tier-1) to verify traceability to palm plantations (Tier-4).</p> <p>In 2019, Kao published a palm mill list describing 1,045 palm oil mills and updated the list in 2021 (887 palm oil mills). In 2021, Kao confirmed the compliance status of Malaysian and Indonesian oil and fat suppliers (Tier-1) by investigating and confirming the activities of NDPE, HCSA, and FPIC compliance.</p> <p>(2) Kao has prepared a palm mill map from palm mill list confirmed in (1) and (i) uses satellite photographs and other information to check whether there are national parks, protected forests and peatlands within a 50km radius of palm mill location, etc., (ii) whether there are mills that have caused previous problems in the parent company, etc., (iii) if information from NGOs is confirmed and identified as risk mill. In 2018, Kao released a palm mill map describing the locations of 90 palm kernel oil mills and 862 palm oil mills.</p> <p>(3) Kao holds hearings with refinery (Tier-1) regarding palm oil mills deemed risk mills. In addition, Kao carries out an on-site survey by third-party in response to palm oil mills that are judged to be extremely high-risk (high risk mills), and requests the mills for improvement, and follows up. By 2019, Kao had conducted on-site surveys of 8 mills and informational verifications from refineries (Tier-1). Kao plans to conduct an audit if it determines that there is a problem in</p>	Not applicable

		the future. The activities described in (2) and (3) above are implemented in collaboration with External consultants.	
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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)?

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	96
Palm oil	Yes	27

F6.3a

(F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.

Forest risk commodity

Timber products

Third-party certification scheme

FSC Forest Management certification

Chain-of-custody model used

% of total production/consumption volume certified

62

Form of commodity

Pulp

Paper

Primary packaging

Secondary packaging

Tertiary packaging

Volume of production/ consumption certified

172,000

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

Kao annually requests suppliers to provide new FSC certified paper, which was implemented in 2021. In 2021, the rate of FSC certified paper and pulp reached 62% out of total timber product, increased 1 point from 61% in 2020.

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.

In order to purchase as a certified product, it is necessary to satisfy the following two certifications.

- (1) Certification to examine whether forests are managed responsibly (FM certification)
- (2) Certification that has been examined Certification that examines the processing and distribution process until the certified material harvested from the forest reaches the hands of consumers (COC certification)

This (2) COC certification goes through a long and complicated processing and distribution process until it reaches the consumer, but it is necessary to confirm that it will not be mixed with ineligible wood in the process. In addition, since all organizations involved in production, processing, and distribution must be certified before the certified products reach consumers, we have obtained COC certification for all suppliers in this supply chain. You need to do it.

When we checked the COC certification on the supply chain, we found that some suppliers could not obtain the COC certification, and we understand the importance of the COC certification to these suppliers and request the acquisition of the COC certification every year. increase.

As a result of requesting that they acquire FSC certification (CoC), all supply chains agreed to acquire certification.

In 2021, activities related to paper materials used in some sanitary products, specifically, the increase in the usage ratio of mounts procured in Indonesia and release paper procured in Thailand contributed.

In 2021, both the local subsidiary and the head office will share information on the timing and amount of switching to certified products in order to increase the use of third-party certified paper. As a result of these activities, the percentage of FSC-certified products is increasing year by year.

Forest risk commodity

Timber products

Third-party certification scheme

PEFC Sustainable Forest Management certification

Chain-of-custody model used

% of total production/consumption volume certified

34

Form of commodity

Pulp

Paper

Primary packaging

Secondary packaging

Tertiary packaging

Volume of production/ consumption certified

92,000

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

Kao annually requests suppliers to provide new PEFC certified paper, which was implemented in 2021. In 2021, the rate of PEFC certified paper and pulp reached 34% out of total timber product, increased 1 point from 33% in 2020.

Kao states FSC certification the first priority, but procures PEFC certified products if there is no FSC certified forest in the origin.

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 or PEFC 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

Chain-of-custody model used

% of total production/consumption volume certified

25

Form of commodity

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

Volume of production/ consumption certified

123,000

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

In 2021, Kao purchased 123,000 tonnes of RSPO certified oils (MBs). This accounted for 25% of the total amount of palm-derived raw materials purchased, an increase of 2% over 2020. Kao has implemented the following measures to promote the widespread use of RSPO certified oil.

(1) Since 2019, Kao has been collecting information and providing information on sustainable palm oil procurement. Kao has established a JaSPON (Japan Sustainable Palm Oil Network) with NGOs and other companies to promote sustainable palm oil procurement and consumption. Kao is a member of the Board of Directors.

(2) Kao is a member of RSPO Standard Standing Committee.

(3) In 2020, Kao set a target of making 100% of palm oil purchased, including for industrial use, into certified oil by 2025.

We recognize that efforts to increase the supply of RSPO-certified oil are also important in order to procure it sufficiently. In 2021, in order to raise awareness of RSPO certified oil, in Japan, we worked on various industries aiming to increase supply, participated in JaSPON, and participated in consumer recognition activities at CGF to further increase demand.

Forest risk commodity

Palm oil

Third-party certification scheme

RSPO Credits/Book & Claim

Chain-of-custody model used**% of total production/consumption volume certified**

2

Form of commodity

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

Volume of production/ consumption certified

11,000

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

For purchasing RSPO certified raw materials, B&C is used to supplement the purchase of MB products.

In 2021, an initiative was implemented to purchase B & C directly from supporting farmers in the SMILE project to support small-scale farmers in Indonesia.

In 2021, in order to raise awareness of RSPO certified oil, in Japan, we worked on various industries aiming to increase supply, participated in Jaspon, and participated in consumer recognition activities at CGF to further increase demand.

<SMILE project>

Kao, together with Apical Group of oils and fats manufacturing and sales companies, and Asian Agri, a plantation company, established a support program in 2020. By providing educational support for small-scale plantations to improve yield of palm oil, the program aims to support 5000 small-scale plantations in three provinces of Indonesia-Sumatra (Reau, Jambi, and Northern Sumatra) to acquire RSPO certification by 2030.

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?

	A system to control, monitor or verify compliance
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments
Palm oil	Yes, we have a system in place for our no conversion and/or deforestation commitments

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

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
- Tier 4: Forest management unit

Kao also requests Tier 1 suppliers to answer CDP supply chain programmes, Sedex and in-house SAQs annually to confirm their content and make improvements. It is also recognized as a system to manage, monitor, and verify.

A Tier3 paper manufacturer in Japan publishes on its website the basic philosophy, operating policies, strict control, and community-wide activities of company-owned forests in Japan. Kao actually visited this company-owned forest and monitored and audited its activities through dialogue with paper manufacturer and local residents.

Monitoring and verification approach

Community-based monitoring
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 would temporally stop procurement and engages the supplier to comply. If the status of non-compliance continues for long-term, Kao would also consider changing the supplier.

If the checklist reveals a non-sustainable supplier, Kao required to switch to an FSC or

PEFC certified product along with a request for improvement. If this is not done, Kao would consider discontinuing the transaction.

Kao monitors continuously external input on non-compliance in the supply chain.

The following are examples of Community-based monitoring.

A Tier3 paper manufacturer in Japan publishes on its website the basic philosophy, operating policies, strict control, and community-wide activities of company-owned forests in Japan. Kao actually visited this company-owned forest and monitored and audited its activities through dialogue with paper manufacturer and local residents.

Forest risk commodity

Palm oil

Operational coverage

Direct operations

Supply chain

Description of control systems

(1) Kao obtains supply chain information from Tier-1 about the name of Tier-2 and Tier-3, parent company names, locations (latitude and longitude), etc. and prepares a palm mill list. By contacting Tier-1, Kao confirms the status of NDPE/HCSA/FPIC compliance efforts at Tier-1, refineries' group companies, Tier-2 and Tier-3 in the supply chain. Kao conducts surveys of Tier-4 by contacting Tier-1 to verify traceability to Tier-4.

(2) Kao has prepared a palm mill map from palm mill list confirmed in (1) and uses satellite photographs to check whether there are national parks, protected forests and peatlands within a 50km radius of palm mill location, etc.,

Kao holds hearings with Tier-1 regarding palm oil mills deemed risk mills. In addition, Kao carries out an on-site survey by third-party in response to palm oil mills that are judged to be extremely high-risk (high risk mills). By 2019, Kao had conducted on-site surveys of 8 mills and informational verifications from Tier-1.

Monitoring and verification approach

Geospatial monitoring tool

Ground-based monitoring system

First-party verification

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 has updated mill list described in Description of control systems at least as frequently as once a year. Kao monitors continuously external sources of non-compliance in the supply chain. Whenever a violation of compliance is suspected, Kao will conduct a fact-finding survey through refineries (Tier-1) in the supply chain, regarding Palm kernel mills (Tier-2), Palm oil mills (Tier-3), and plantations (Tier-4). Upon discovery of non-compliance in this study, Kao will cease doing business with the company and request the company to take corrective actions and to comply with NDPE and HCSA. If the non-compliance status continues for a long time, Kao requests the refinery (Tier-1) to suspend business with the company concerned. In addition, a third-party audit shall be conducted on the relevant company to confirm the progress of improvement.

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
Timber products	Yes, from suppliers
Palm oil	Yes, from suppliers

F6.6a

(F6.6a) For your 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 provides the suppliers with a WWF Japan's checklist and Kao confirms 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 regulations and/or laws 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, the secretariat requests the base to comply.

Kao further requests Tier 1 suppliers to answer CDP supply chain programme, Sedex and in-house SAQs, including items for confirming compliance with laws and regulations, and checks and improves their content. These activities are also recognized as systems for ensuring legal compliance.

If non-compliance is found, Kao requests the supplier to comply.

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.

For these reasons, Kao recognizes that these procedures are sufficient to ensure compliance directly within operations and supply chains.

Country/Area of origin

Indonesia

Law and/or mandatory standard(s)

Other, please specify

FSC, PEFC

Comment

Palm oil

Procedure to ensure legal compliance

Kao recognizes that purchased palm oil is in compliance with forest regulations and/or laws in two ways.

1) Purchasing RSPO certified products

Kao recognizes that RSPO certified palm oil complies with the laws and regulations of each country.

2) Purchase of non-certified products

When Kao purchases non-certified products, through CDP Supply Chain programme, we ask refinery(Tier-1) to answer questions of CDP Forest, including compliance status and compliance questions, to verify the compliance status of each company. If there are any items that Kao has received that do not comply with the requirements of compliance, then after checking the contents, the supplier is required to comply with the requirements and ensures compliance with the laws and regulations of the supply chain.

3) Other

In addition, Tier 1 supplier is requested to respond to the CDP Supply Chain Programme, Sedex, and in-house SAQs, including items to verify compliance with laws and regulations, and to review and improve the content. These activities are also recognized as systems for ensuring legal compliance.

If non-compliance is found, Kao requests the supplier to comply.

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.

For these reasons, Kao recognizes that these procedures are sufficient to ensure compliance directly within operations and supply chains.

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	Yes, working with smallholders	Financial and commercial incentives	Purchase guarantee linked to best agricultural practices	0	Major package manufacturers in Japan are developing and selling packages using thinned wood (and also certified products)*1 to secure employment in forestry and preserve forests. Effective use of thinned wood leads to forest conservation and support for forestry workers. Kao believes that considering adopting this packaging is effective for the sustainability of

					<p>smallholder and seeks strategic engagement with its suppliers.</p> <p>*1 Thinned wood is wood generated during thinning of standing trees that become dense in the growth process of forests.</p>
Palm oil	Yes, working with independent smallholders	<p>Supply chain mapping</p> <p>Capacity building</p> <p>Financial and commercial incentives</p>	<p>Supplier questionnaires on environmental and social indicators</p> <p>Offering on-site technical assistance and extension services</p> <p>Providing agricultural inputs</p> <p>Disseminating technical materials</p> <p>Investing in pilot projects</p> <p>Supporting smallholders to clarify and secure land tenure</p> <p>Prioritizing support for smallholders in high-risk deforestation regions</p> <p>Purchase guarantee linked to best agricultural practices</p>	697	<p>Kao announced in 2020 that, with the aim of building a sustainable supply chain for palm oil, Kao, together with Apical Group of oils and fats manufacturing and sales companies, and Asian Agri, a plantation company, have started a program called SMILE (SMallholder Inclusion for betterLivelihood & Empowerment program) to help Indonesian small-scale palm farms improve productivity and acquire certification for sustainable palm oil. Together with the above two companies, Kao aims to provide technical guidance for improving productivity, curb the development of new plantations by increasing yields, support the acquisition of RSPO certification for sustainable palm oil, and improve the livelihoods of producers through dialogue with producers in order to resolve issues such as environmental degradation and human</p>



					<p>rights violations in Indonesia.</p> <p>In addition, Kao's original support is the Adjuvant Series of Agricultural Materials (functional adhesives), which is derived from Kao's long years of interfacial science research. By utilizing Adjuvant Series that can efficiently spray agricultural chemicals, we aim to reduce the amount of agricultural chemicals used and reduce costs, thereby stabilizing farm income and reducing environmental impact.</p> <p>Kao aims to support 5000 small-scale farmers in Indonesia by 2030. This initiative was announced at the Webinar in Indonesia, where more than 200 people from industry and media participated.</p> <p>In 2021, a dedicated plantation manufacturer education team conducted RSPO training sessions as well as safety, fire response, and volume and shipment bookkeeping education for approximately 700 farmers in Sumatra. We also introduced our proprietary technology, Adjuvant, and began testing its use locally in February 2022.</p>
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					<p>Starting in 2022 we are preparing to introduce a grievance mechanism for independent small farmers in Indonesia, which will enable us to respond promptly to human rights issues. The grievance mechanism is an initiative to identify and investigate issues (complaints) in the field (farms) in collaboration with NGOs, resolve the issues proactively, and follow up to confirm resolution. In 2021, in cooperation with NGOs and as a preliminary survey of claims from small farmers, we conducted a survey of 250 independent small farmers in Riau Province, Indonesia, regarding occupational health and safety, farmland and market access.</p>
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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	Supplier questionnaires on environmental and social indicators	81-90%	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

		<p>Financial and commercial incentives Other</p>	<p>Supplier audits Organizing capacity building events Financial incentives for certified products Other, please specify CDP Supply Chain Program</p>	<p>commodity (Timber and Palm).</p> <p>In addition, Kao requires Tier1 suppliers to respond to Sedex SAQ or Kao SAQs (social and environmental). The survey rate in 2021 was 89% (on a value basis)</p> <p>- 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 also makes 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</p>
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					<p>Supply Chain Program.</p> <p>As a specific example, Kao requests our main Tier-1 suppliers to respond to a survey of the CDP supply chain program. In 2021, Kao requested that 38 forest-related Tier-1 suppliers respond to the survey (32 companies responded) in order to conserve forests throughout the supply chain.</p>
Palm oil	Yes, working with direct suppliers	<p>Supply chain mapping</p> <p>Capacity building</p> <p>Financial and commercial incentives</p> <p>Other</p>	<p>Supplier questionnaires on environmental and social indicators</p> <p>Developing or distributing supply chain mapping tool</p> <p>Organizing capacity building events</p> <p>Paying higher prices linked to best agricultural practices</p> <p>Financial incentives for certified products</p> <p>Other, please specify</p> <p>CDP Supply Chain Program</p>	81-90%	<p>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).</p> <p>In addition, Kao requires Tier1 suppliers to respond to Sedex SAQ or Kao SAQs (social and environmental). The survey rate in 2021 was 89% (on a value basis).</p> <ul style="list-style-type: none"> • Main strategy of engagement <p>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 also makes these guidelines known to all business partners, strive to</p>

				<p>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.</p> <p>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.</p> <p>As a specific example, Kao requests its main Tier-1 suppliers to respond to a survey of the CDP supply chain program. In 2021, Kao requested that 38 forest-related Tier-1 suppliers respond to the survey (32 companies responded) in order to conserve forests throughout the supply chain. In 2021, Kao procured about 0.1 million tonnes of RSPO certified palm oil at premiums.</p>
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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 supplier engagement approach	Please explain
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		indirect suppliers		
Timber products	Yes, working beyond first tier	Supply chain mapping Capacity building Other	On-site meetings with indirect suppliers Offering on-site training and technical assistance Other, please specify Gather information on the environment and society of indirect suppliers	<p>Kao's strategy for beyond Tier-1 suppliers to practice responsible sourcing is to engage. Specific engagement methods are confirmation of traceability through Tier-1 suppliers and direct dialogue by Kao.</p> <p>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.</p> <p>At the end of 2021, the ratio of certified raw material was 96%. Most of the rest was checked with WWF Japan's check list. Therefore, Kao regards almost 100% traceability was established.</p> <ul style="list-style-type: none"> - 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 - Tier 4: Forest management unit <p>Kao engages 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 2021.</p> <p>Also, in 2021 Kao visited a major Japanese paper company to engage, a Tier3, to explain Kao's procurement policy, traceability status, and so forth, to ask them to continue to comply with Kao's policy, and to inspect their traceability. Kao has invested more than JPY 300 million to file more than 400 patent regarding a pulp mold technology. Recognizing that this</p>

				<p>technology is also a technology for preventing forest conservation and deforestation and is a method for effectively utilizing virgin pulp and wastepaper pulp, Kao has signed licensing agreements with more than eight suppliers (not only large enterprises but also SMEs) including Indirect supplier, and is currently providing Kao's technology.</p>
Palm oil	Yes, working beyond first tier	Supply chain mapping Capacity building	<p>Developing or distributing supply chain mapping tools</p> <p>On-site meetings with indirect suppliers</p> <p>Supplier audits</p> <p>Offering on-site training and technical assistance</p> <p>Investing in pilot projects</p>	<p>Kao's strategy for beyond Tier-1 suppliers to practice responsible sourcing is to engage. Specific engagement methods are confirmation of traceability through Tier-1 suppliers and direct dialogue by Kao.</p> <p>Kao is also engaging with beyond Tier-1 suppliers to practice responsible sourcing. Specific engagement methods are confirmation of traceability through Tier-1 suppliers and direct dialogue with Kao.</p> <p>For palm oil, collaboration with stakeholders of origin is especially important.</p> <p>The following initiatives are being implemented for the supply chain of palm oil in Indonesia and Malaysia.</p> <p>(1) Kao conducts traceability surveys of palm kernel mills (Tier 2), palm oil mills (Tier-3), and plantations (Tier-4) through refineries (Tier-1) and conducts third-party field surveys of mills classified as high risk mill. Kao conducted on-site surveys and third-party audits of 8 palm oil mills (Tier-3) by 2019, and asked for improvements.</p> <p>(2) Kao is investigating the actual status of independent small-scale plantations in Tier 4 through direct dialogue with the local community. Kao participated in the Stakeholder Engagement (SHE) programme sponsored by Caux Round Table Japan (CRT Japan) in 2019 and engaged in direct dialogue with independent smallholder plantations in</p>

				<p>Jambi province, Indonesia.</p> <p>In 2020, Kao launched a program described in F6.7 to help Indonesian small-scale palm plantations increase productivity and obtain certification for sustainable palm oil, and conducted a set of test survey (20 surveys) on the livelihoods, environmental and palm plantations of independent small-scale plantations (Tier4) in Riau province, Indonesia. Furthermore, in 2021, a questionnaire survey was conducted on 500 small-scale plantations in Liau province, Jambi province, and Northern Sumatra province. After grasping the actual situation, the Grievance Mechanism was decided to be introduced in 2022, particularly for the resolution of human rights issues.</p>
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F6.10

(F6.10) Do you engage in landscape (including jurisdictional) approaches to progress shared sustainable land use goals?

Do you engage in landscape/jurisdictional approaches?	
Row 1	Yes, we engage in landscape/ jurisdictional approaches

F6.10a

(F6.10a) Indicate the criteria you consider when prioritizing landscapes and jurisdictions for engagement in collaborative approaches to sustainable land use and provide an explanation.

	Criteria for prioritizing landscapes/jurisdictions for engagement	Please explain
Row 1	<p>Company actions align with already established jurisdictional and/or landscape initiative priorities in area</p> <p>High commodity sourcing footprint from area</p> <p>High levels of production by independent smallholders</p> <p>Opportunity for smallholder inclusion</p>	<p>Global production of palm oil stands at 75 million tons per year and is expected to be 111.3 million tons by 2025 . There is now a greater focus in Indonesia on improving palm oil productivity while minimizing the need for the extensification of existing agricultural land. This not only helps to safeguard food security, but serves to balance social, environmental and economic needs. Kao believes that small-scale farms play a major role in increasing demand. Therefore, it is important to be aware</p>

<p>Opportunity for increased human well-being in area</p> <p>Opportunity to implement Nature-based Solutions</p> <p>Opportunity to protect natural ecosystems</p> <p>Risk of deforestation/conversion</p> <p>Risk of fires</p> <p>Risk of forest/land degradation</p> <p>Risk of land conflict</p> <p>Risk of labor rights issues</p> <p>Risk of supplier non-compliance in area</p> <p>Stakeholder/investor request</p> <p>Supply of commodities strategically important</p>	<p>of the risks that are likely to involve small farms.</p> <p>Kao has confirmed from past surveys that many small-scale palm plantations exist in Indonesia.</p> <p>Three leading companies in the palm oil industry – Kao Corporation, Apical Group, and Asian Agri – have launched a new sustainability initiative to help independent oil palm smallholders in Indonesia to improve their yields, acquire international certification, and eventually secure sales premiums from selling certified palm oil.</p>
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F6.10b

(F6.10b) Provide details of your engagement with landscape/jurisdictional approaches to sustainable land use during the reporting year.

Country/Area

Indonesia

Name of jurisdiction or landscape area

North Sumatra, Riau, Jambi

Is the landscape defined by administrative boundaries of sub-national governments and does the approach have active government involvement?

The landscape is defined by administrative boundaries, but the approach does not have active government involvement

Brief description of landscape/ jurisdictional approach

Kao is collaborating with palm oil product manufacturers and plantation companies to carry out projects to support small holders.

Three leading companies in the palm oil industry – Kao Corporation, Apical Group, and Asian Agri – have launched a sustainability initiative to help independent oil palm smallholders in Indonesia improve their yields, acquire international certification, and eventually secure sales premiums from selling certified palm oil.

Known as SMILE program ; the SMallholder Inclusion for better Livelihood & Empowerment program, the collaboration is between downstream producer Kao Corporation, mid-stream processor, exporter and trader Apical Group, as well as upstream producer Asian Agri.

The 11-year initiative seeks to continue to build a more sustainable palm oil value chain

by working with independent smallholders. Independent smallholders contribute more than 28% to Indonesia's overall palm oil market.

Forest risk commodities relevant to this landscape/jurisdictional approach

Palm oil

Type of engagement

Partner: Shared responsibility in the implementation of multiple goals

Description of engagement

SMILE program assembles a team of experts with extensive experience in the areas of plantation management and agronomy to work with 5,000 independent smallholders that manage approximately 18,000 ha of plantations in the provinces of North Sumatra, Riau and Jambi. Through customized seminars and workshops, the team :

- Educate farmers on how to improve their yields and sustainably manage their farms, as well as on the importance of staying committed to sustainable practices such as no-deforestation and zero-burning, no exploitation.
- Provide support for RSPO Certification.
- Provide training on how to implement robust safety measures across their estates, and safety equipment (including safety helmets, gloves, and fire extinguishers).

Goals supported by engagement

Increased commodity traceability in landscape/jurisdiction

Company actions supporting approach

Share information on supplier non-compliance, supply chain mapping and traceability with other stakeholders in the landscape/jurisdiction

Provide information and training on best agricultural management practices

Support additional/alternative livelihood activities and practices that reduce pressure on forests

Collaborate on commodity traceability

Implementation partner(s)

Three leading companies in the palm oil industry – Kao Corporation, Apical Group, and Asian Agri – have launched a sustainability initiative to help independent oil palm smallholders in Indonesia improve their yields, acquire international certification, and eventually secure sales premiums from selling certified palm oil.

Engagement start year

2,021

Engagement end year

Please specify

2030

Total investment over the project period (currency)

Details of your investment

Type of assessment framework

Specific initiative defined framework

Is progress monitored and publicly reported on?

Yes, progress is monitored and publicly reported on

State the achievements of your engagement so far, and how progress is monitored

F6.11

(F6.11) Do you participate in any other 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

Country/Area

Japan

Subnational area

Not applicable

Initiatives

Forest Stewardship Council (FSC)

Other, please specify

JBIB

Please explain

Kao sponsored the FSC Forest the third Award 2021 campaign to convey the importance of forest protection sponsored mainly by FSC Japan. FSC Forest the third Award 2021 is held by FSC Japan to raise awareness of FSC and aims to disseminate to consumers and businesses the means of forest conservation that anyone can participate in by "selecting FSC-certified products" to resolve the issue of deforestation. The role of Kao in FSC Japan is to raise awareness of FSC in Japan, because Kao is one of main users of FSC certified paper and hopes to expand FSC certified paper consumption in Japan. So Kao sponsored the campaign and worked to expand the use of FSC in Japan. These activities support the achievement of Kao's goal of 100%

certification of paper products and pulp used in household products by 2025. Kao participated in JBIB (Business Initiative for the Conservation and Sustainable Use of Japanese Biodiversity), an initiative undertaken by Japanese companies highly motivated to act on the conservation of biodiversity and the sustainable use of natural capital. JBIB has participated since its foundation, served as a director, and contributed to improving the level of its members by introducing and promoting activities to reduce deforestation.

All of these activities fit together with the eco-activities implemented under the eco-slogans set out in Kao's environmental strategy "Kao Environmental Statement" together with the eco-activities carried out under the eco-slogans. This strategy is based on the idea that environmental activities should be carried out not only by Kao, but also with various stakeholders. Kirei Lifestyle plan

In Kao Environmental Statement, Kao utilize original Lao -developed technologies to minimize the impact they have on the environment, not just in the manufacturing, to distribution, sales, usage and final disposal, we want to engage in eco-together with stake holders including consumers worldwide, FSC is an activity that is carried out together with suppliers, consumers, and other stakeholders, and is in line with "Kao Environmental Statement".

Forest risk commodity

Palm oil

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Country/Area

Japan

Subnational area

Not applicable

Initiatives

Roundtable on Sustainable Palm Oil (RSPO)

Other, please specify

JBIB, SUSTAIN, JaSPON

Please explain

Kao has been a member of RSPO to eliminate deforestation associated with producing palm oil and contribute to the sustainability of the palm industry since 2007. In 2020, we procured a quantity of RSPO certified oil equivalent to the total quantity of palm oil used for Kao's consumer products. The following activities are also being carried out with the aim of disseminating this activity in Japan. Since 2019, Kao has been working with NGOs and other companies to collect and inform information on sustainable palm oil procurement and to promote sustainable palm oil procurement and consumption. Kao

has participated as a director of JaSPON (Japan Sustainable Palm Oil Network). These activities support the achievement of Kao's goal of 100% RSPO certified palm oil by 2025. The role of Kao in JaSPON is to raise awareness of RSPO in Japan, because Kao is one of main users of palm oil and important player to expand RSPO certified palm oil in Japan.

Kao participated in JBIB (Business Initiative for the Conservation and Sustainable Use of Japanese Biodiversity), an initiative undertaken by Japanese companies highly motivated to act on the conservation of biodiversity and the sustainable use of natural capital. JBIB has participated since its foundation, served as a director, and contributed to improving the level of its members by introducing and promoting activities to reduce deforestation.

Kao has participated in SUSTAIN (Sustainable Assurance & Influence Alliance) since its establishment and is involved in the project to construct a palm plantation traceability system using a block chain. A pilot farmer including Kao conducted a demonstration experiment at the end of 2019 to confirm the operation of the system. However, the activity was suspended in corona in 2020, but it is scheduled to expand the scale in 2021 and enter the dissemination stage.

All of these activities fit together with the eco-activities implemented under the slogan set out in Kao's environmental strategy "Kao Environmental Declaration" together with the eco-activities carried out under the eco-slogans. This strategy is based on the idea that environmental activities should be carried out not only by Kao, but also with various stakeholders. JaSPON is an activity that is carried out together with suppliers, consumers, and other stakeholders, and is in line with "Kao Environmental Statement".

F6.12

(F6.12) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?

Yes

F6.12a

(F6.12a) 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)

44

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

Carbon sequestration

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.

Kao began its second phase of support in April 2019. This new afforestation site was developed because the forest was neglected and covered with many undergrowth. In 2021, Kao planted trees and planted trees. The area planted in 2021 was 3 hectares. As

a result of these activities, 44 hectares of plantations were developed, and the carbon dioxide sequestration in the forests was 5,969 ton-CO₂.

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

Supply chain
Other parts of the value chain

Primary barrier/challenge type

Limited public awareness and/or market demand

Comment

Forest risk commodity

Palm oil

Coverage

Supply chain

Primary barrier/challenge type

Value 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

Greater customer awareness

Comment

Forest risk commodity

Palm oil

Coverage

Supply chain

Main measure



Greater supplier awareness/engagement

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 CEO	Chief Executive Officer (CEO)