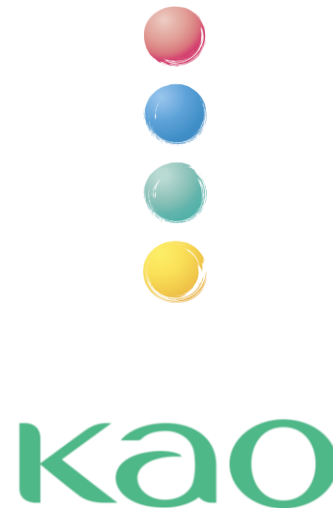


Kao Grievance Mechanism

Report of the Dialogue with Independent Oil Palm Smallholders

North Sumatra, Indonesia - April 2025





About Kao Grievance Mechanism

Kao is committed to enhancing sustainability in our palm oil supply chain and addressing fundamental issues by initiating direct dialogue with our stakeholders.

Since 2022, we have implemented the Kao Grievance Mechanism (KGM), managed in collaboration with Caux Round Table Japan (CRT Japan), a non-profit organization that connects business leaders to promote sustainable and socially responsible practices. This grievance mechanism specifically targets independent oil palm smallholders in Indonesia who link to our supply chain.

As we approach the three-year milestone of the KGM, we visited the areas covered by the mechanism and engaged in direct dialogues with independent smallholders. Our aim is to proactively connect with them and respond to their concerns rather than just waiting. We are committed to raising awareness of the KGM and ensuring its effectiveness as a grievance mechanism. This report provides an overview of these dialogues, and we hope it will help to broaden the support for independent smallholders, who play a vital role in palm oil production.



Dialogue Overview

On April 22, 2025, Kao visited the village of Pangkatan in Labuhan Batu, North Sumatra, Indonesia, along with our partners in the SMILE program (Smallholders Inclusion for Better Livelihood & Empowerment): Apical Group and Asian Agri, accompanied by Caux Round Table Japan (CRT Japan).

On-site, CRT Japan, acting as an independent third-party organization, facilitated two types of dialogues: group dialogues and individual dialogues. The group dialogues aimed to understand the overall situation, including the needs of smallholders, while the individual dialogues, conducted exclusively by CRT Japan, sought to gain a deeper insight into the living conditions of smallholders and their human rights situation.





Voices from Smallholders

During the dialogue, we heard several concerns from independent smallholders, which can be summarized as follows: they expressed worries about rising fertilizer prices, the prevalence of Ganoderma disease, challenges in selecting high-quality seedlings, and apprehensions regarding future replanting, including the need to prepare funds and secure alternative sources of income during the replanting period. Additionally, there were calls for improved sanitation such as the construction of clean toilets in schools to enhance livelihoods. Through the direct dialogue, Kao gained a better understanding of the conditions faced by smallholders that underlie the grievances raised through the KGM. We would like to incorporate these insights for our future support initiatives.





Comments from the CRT Japan



The CRT Japan supports many companies in their efforts to implement human rights due diligence and grievance mechanisms based on the UNGPs. In particular, we focus on helping companies engage with rights-holders.

During this dialogue, we did not identify any serious issues that could be classified as human rights violations. However, when considering the specific support to be provided in the future, we should not only discuss "what" needs to be implemented but also evaluate whether the project is causing any adverse impacts, such as undesirable disparities within the region. Additionally, we recommend that the insights gained from the SMILE program implemented by Kao be leveraged to expand support for smallholders in diverse contexts with varying conditions and challenges.



Hiroshi Ishida - Executive Director, CRT Japan

Kao

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