



NDPE Survey Report

Preferred by Nature
On behalf of Kao Corporation
April 2025





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1

About Kao

About Kao

Kao, a Japan-based manufacturer of personal care and household products, cosmetics, and specialty chemicals creates high-value-added products and services that provide care and enrichment for the life of all people and the planet.

Through its brands such as Attack laundry detergent, Bioré and Jergens skin care products, Laurier sanitary products, Curél, SENSAI, and MOLTON BROWN cosmetics, and Oribe hair care products, Kao is part of the everyday lives of people across Asia, the Americas, Europe, the Middle East, and Africa. Combined with its chemical business, which contributes to a wide range of industries, Kao generates about 1,530 billion yen in annual sales. Kao employs about 34,300 people worldwide and has more than 130 years of history in innovation.

As an enterprise that provides products people use on a daily basis, the Kao Group takes responsibility to actively reduce the environmental footprint of its products throughout the product lifecycle. This is laid out in Kao's ESG strategy, the Kirei Lifestyle Plan, which launched in 2019.

The Kao logo consists of the word "Kao" in a bold, teal, sans-serif font.

Kirei—Making Life Beautiful

About Kirei Lifestyle Plan

Over the past 130 years, Kao has worked to improve people's lives and help them realize more sustainable lifestyles—a Kirei Lifestyle.

The Japanese word 'kirei' describes something that is clean, well-ordered and beautiful, all at the same time. The Kao Group established its ESG strategy, the Kirei Lifestyle Plan in April 2019, which is designed to deliver the vision of a gentler and more sustainable way of living.

By 2030, Kao aims to empower at least 1 billion people, to enjoy more beautiful lives and have 100% of its products leave a full lifecycle environmental footprint that science says our natural world can safely absorb.

2

About Preferred by Nature

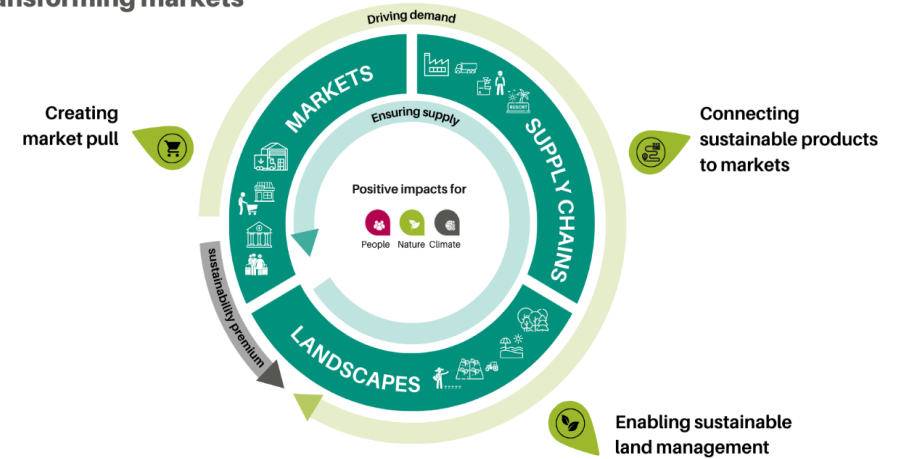


Preferred by Nature is a globally recognised non-profit sustainability organisation dedicated to promoting responsible land use and business practices that benefit people, nature, and climate.

With 30 years of experience, Preferred by Nature works with farmers, businesses, NGOs, and governments to foster sustainable trade in forest and agricultural commodities.

Operating in over 100 countries, Preferred by Nature leverages its extensive network of experts and partners to provide innovative solutions, capacity building, and tailored sustainability services to drive meaningful change across supply chains.

Driving **sustainability** by transforming markets



30
years of
experience



350+
full-time
staff



880 000+
certified farmers
and foresters



30+ million ha
of certified
forest land



5,500+
organisations
we work with



2+ million ha
of certified
farms



Forestry



Agriculture



Travel

Timber



Coffee



Cocoa



Palm oil



Soy



Rubber



Biomaterials



Cattle



Rice



Commodities within the EU Deforestation Regulation scope

3 NDPE Survey Overview and Timeline

Kao, in collaboration with Preferred by Nature, conducted a supplier monitoring survey to evaluate compliance with NDPE commitments among its key palm oil suppliers. The survey aimed to assess suppliers' sustainability performance, effectiveness of traceability mechanisms, and adherence to frameworks such as Roundtable on Sustainable Palm Oil (RSPO) certification and the EU Deforestation Regulation (EUDR). Additionally, it sought to identify gaps in supplier engagement, transparency, grievance mechanisms, and standardized reporting to support improvements in Kao's responsible sourcing strategy. All participating suppliers aligned with Kao's procurement policies, reinforcing their commitment to sustainability expectations.

The survey followed a structured methodology, including framework enhancement (utilizing Kao NDPE Survey platform and Preferred by Nature Sustainability Framework), digitization, implementation, and data analysis. Data was collected via the digital platform Alchemer, with follow-ups to ensure participation. The survey was conducted from November 2024 to December 2024 by Preferred by Nature to 20 suppliers, which account for 92% of Kao's total purchasing volume of palm products. Key areas assessed included NDPE implementation, traceability, and human rights policies.



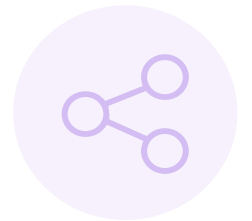
Survey framework enhancement
Nov 2024



Digitization and testing
Nov 2024



Survey implementation
Nov – Dec 2024

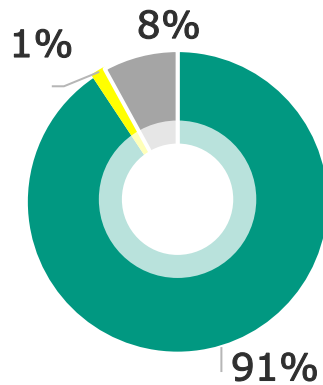


Data analysis and reporting
Dec – Feb 2025

NDPE Implementation

These are the findings that demonstrate how Kao's suppliers deal with NDPE (No Deforestation, No Peat, No Exploitation) commitments.

NDPE Commitment

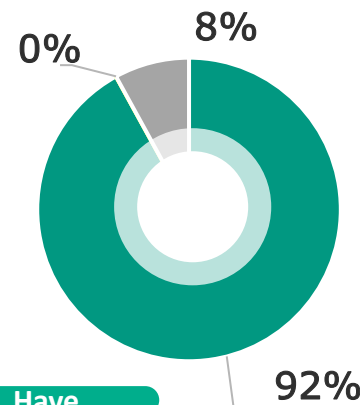


Commitment
No commitment
No Answer

Compliant : 91%
*Weighted Average

On quantity basis, **91%** have publicly available NDPE policy.

NDPE Implementation Plan

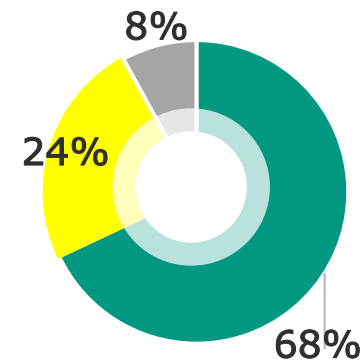


Have
Not have
No Answer

Compliant : 92%
*Weighted Average

On quantity basis, **92%** have formal NDPE implementation plans covering deforestation-free, commitments, human rights, traceability and monitoring mechanisms.

Conduct business only with sub-suppliers who have committed to NDPE



Yes
No
No Answer

Compliant : 68%
*Weighted Average

On quantity basis, **68%** conduct business only with sub-suppliers that have committed to NDPE.

How Kao's suppliers ensure sub-suppliers' compliance with NDPE

▽91% Self-assessment



▽91% Use of satellite monitoring or traceability tools



▽69% Provide capacity building to comply with NDPE



▽61% Regular supplier audit



▽58% Third-party verification



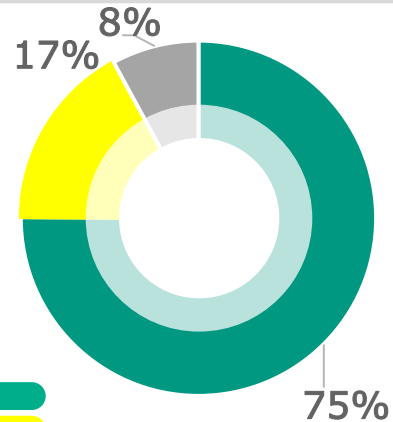
▽48% Require NDPE report or certification



*Multiple-choice question

These are the findings that demonstrate how Kao's suppliers manage DCF (Deforestation and Conversion-Free).

Supplier's DCF Rate



DCF

Unknown

No Answer

DCF : 75%

*Weighted Average

Kao's suppliers' DCF rates are ranging from 70% to 98%. Weighted Average of DCF rate is 75%.

DCF Rate Verification and Calculation Methodologies

Verified by third-party

70%

On quantity basis, 70% use third-party verification, 22% rely on internal assessments, and 8% are unknown.

▽91% NDPE IRF

▽80% Traceability and Supply Chain Mapping

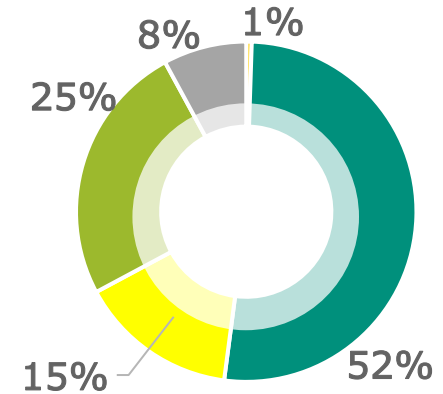
▽80% Remote sensing and satellite monitoring

▽55% HCSA

▽55% HCV

*Multiple-choice question

Target year of achieving deforestation-free supply chain



2023

2025

2030

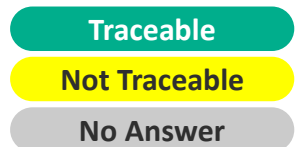
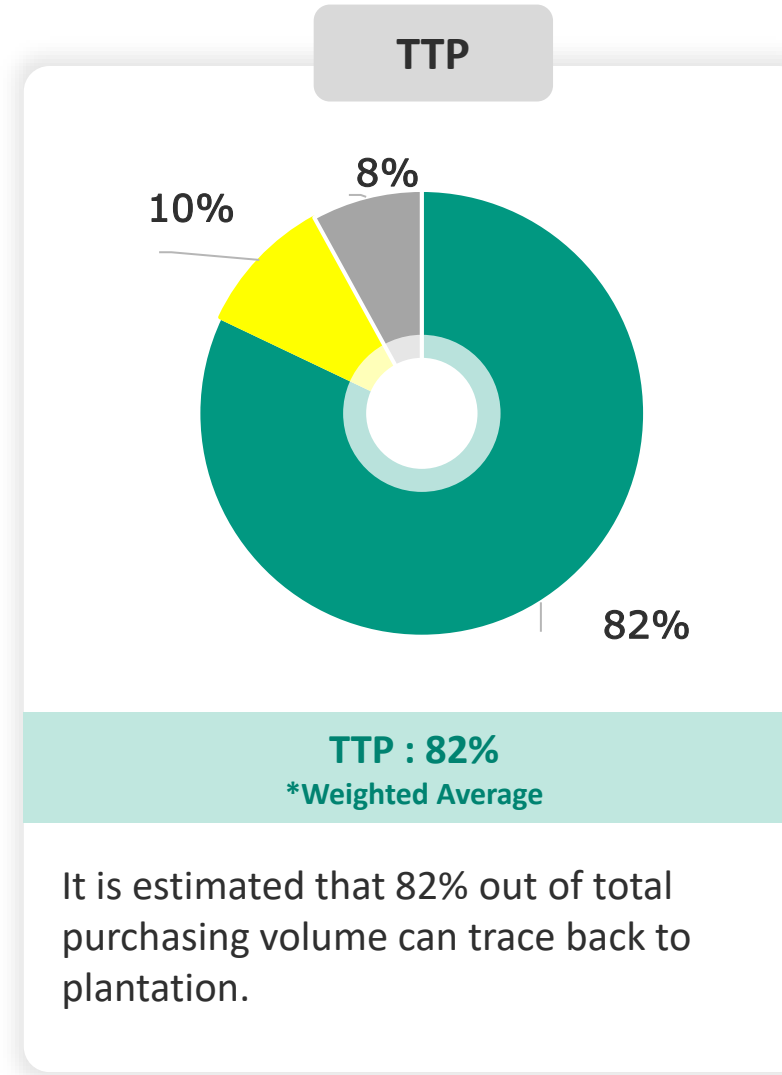
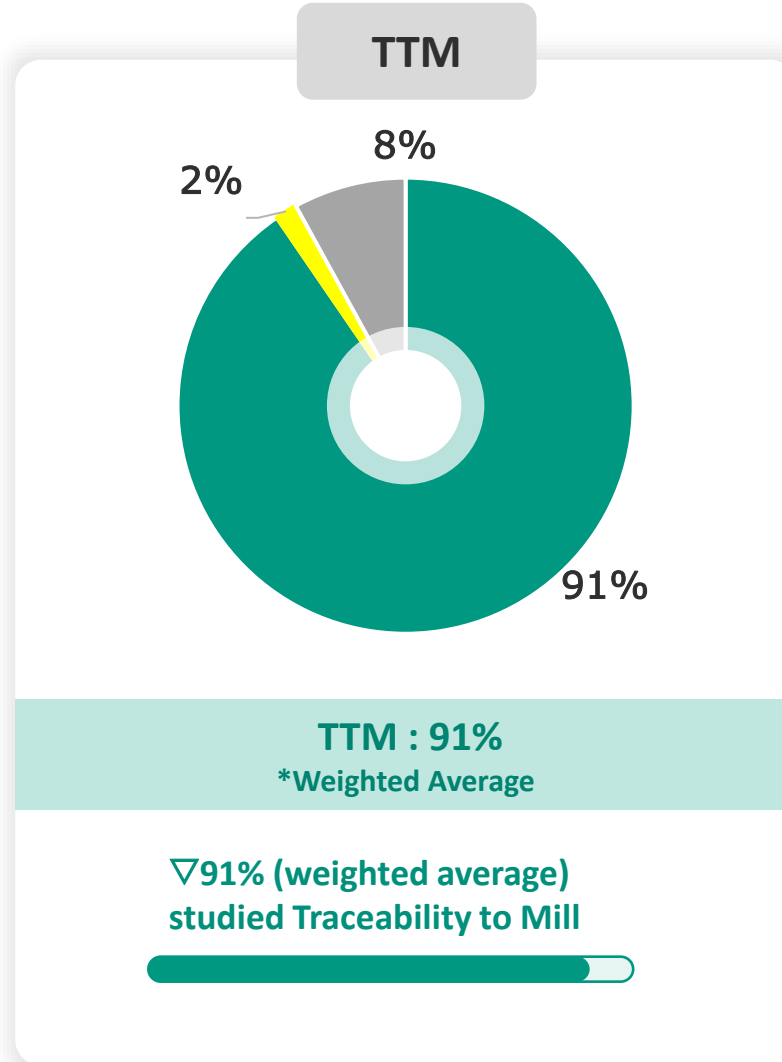
No target

No Answer

Set a target year : 68%

*weighted Average

On quantity basis, 68% have a clear target year to achieve deforestation-free supply chain, and 25% do not have one. There are some suppliers that have not set a target year, but they have managed the progress.



*Annotation

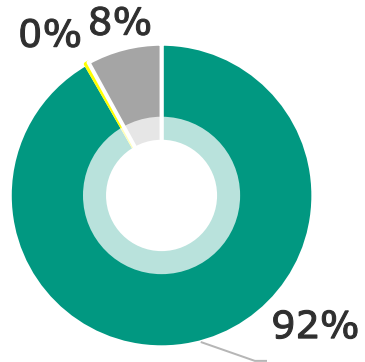
This is the percentage of only those companies that responded out of the 20 companies interviewed, and differs from the actual traceability rate for Kao as a whole. Kao focuses on TTP of PKO since it is their main source.

Have

Not have

No Answer

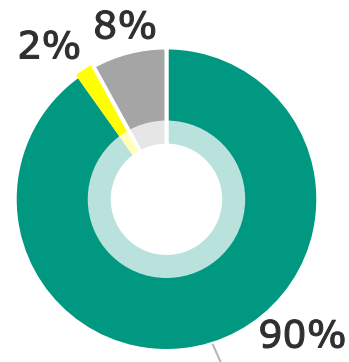
Human Rights Policies



**Publicly available
Human Rights policies : 92%**

Suppliers committed to ensure

- No violence
- No harassment
- No exploitation in workplace
- Have a zero-tolerance for violence and threats
- Commit to recruitment policy that promotes age and gender equality
- Have a child protection policy

 FPIC
Free Prior Informed Consent


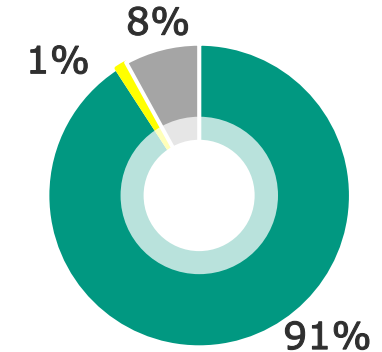
**Publicly available
FPIC procedure : 90%**

FPIC procedure consists of the following elements:

- Clear stakeholder identification process
- Accessible communication methods for sharing information,
- Documented process for obtaining and storing community consent.

*75% (weighted average) monitor the FPIC implementation and evaluation

Grievance Mechanism



**Established
Grievance Mechanism : 91%**

Grievance Mechanism includes following elements:

- Easily accessible to all stakeholders
- Transparency, clear process for filing and resolving grievances
- Non-retaliation policy, to ensure that grievances can be raised without fear of retaliation,
- Timely response, tracking, and monitoring, and Public Reporting



Strengthen supplier engagement and support

Kao should strengthen supplier engagement through targeted training and capacity-building initiatives, helping suppliers achieve full NDPE compliance with clear roadmaps including target year and regular progress evaluations. There were still 5 suppliers who do not set the target year to achieve deforestation free supply chain. Kao should engage those suppliers continuously to set it. Regarding DCF, Kao should request suppliers to be verified by third-party verification. To enhance transparency and accountability, Kao should encourage suppliers to adopt standardized reporting systems such as RSPO, CDP, and GRI while promoting public disclosure of sustainability efforts.



Improve traceability

Improving traceability should be a priority, leveraging advanced technologies like satellite monitoring to ensure full supply chain visibility and compliance with the EU Deforestation Regulation (EUDR).



Standardized grievance mechanisms

Kao suppliers introduced social context (human rights, FPIC and grievance mechanism) at high rate. Grievance mechanisms should be standardized and fully implemented across all suppliers, ensuring accessibility, transparency, and public disclosure of grievance handling and resolution.



Promote broader adoption of NDPE Policies

Kao should drive broader adoption of NDPE policies by assisting suppliers in developing and implementing policies, setting clear compliance timelines, and encouraging third-party verification to reinforce responsible sourcing commitments. Additionally, 24% (weighted average) have conducted business with sub-suppliers that do not commit to NDPE. Kao should promote suppliers to introduce NDPE committed sub-suppliers in a collaboration with suppliers.

Insight by Kao



The NDPE survey conducted in December 2024 provided an opportunity to learn about the progress towards Kao's zero-deforestation commitment. We would like to thank Preferred by Nature for partnering with us to develop the survey instrument, conduct the survey, and prepare the report. From February to April 2025, after conducting the survey, we also had feedback meetings with each supplier to review the survey result and engage them in strengthening NDPE implementation. We would also like to express our gratitude for our suppliers for their cooperation.

We are going to use the lessons learning from the survey to improve our responsible sourcing activities in palm oil supply chain. One of the significant findings from this survey is that we see our direct suppliers are making steady progress in the publication of NDPE commitment and human rights policies. However, we found there is room for improvement in the effectiveness of NDPE implementation. We need to strengthen the mechanism of not only adopting NDPE policies but also checking for effective NDPE implementation. In addition to that, while we surveyed 20 major suppliers this time, we would like to consider expanding the scope of the survey to include other suppliers to track the progress throughout our supply chain.

Working together with our partners to realize sustainable palm oil supply chain, we will continuously conduct NDPE survey along with other activities such as forest footprint, satellite monitoring, and grievance mechanism. In addition, we encourage our suppliers to join Sedex and utilize SMETA audits to promote human rights and environmental due diligence. We prioritize open communication with our business partners to achieve our goal of sustainable palm oil sourcing.



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