

Riau Province: Rokan Hilir, Bengkalis, Dumai

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CONTENTS

- ABOUT KAO
- ABOUT EARTHWORM FOUNDATION
- FOREST FOOTPRINT OVER RIAU
- CASE STUDY OVERVIEW AND AMBITIONS
- BACKGROUND OF KAO SUPPLY CHAIN IN RIAU
- FOREST AREA ANALYSIS IN RIAU
- INTACT PEAT AREA ANALYSIS IN RIAU
- CUSTOMARY LAND ANALYSIS IN RIAU
- DETAILED ANALYSIS IN ROKAN HILIR, BENGKALIS, AND DUMAI DISTRICTS
- NEXT STEPS
- APPENDIX – DATASETS USED



ABOUT KAO

About Kao

Kao creates high-value-added products and services that provide care and enrichment for the life of all people and the planet. Through its portfolio of over 20 leading brands such as Attack, Bioré, Goldwell, Jergens, John Frieda, Kanebo, Laurier, Merries, and Molton Brown, Kao is part of the everyday lives of people in Asia, Oceania, North America, and Europe. 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 137 years of history in innovation.

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.

ABOUT KAO

Policies for Sustainable Palm Oil Procurement

Kao supports zero deforestation at source for sustainable procurement, and requires all of its third-party suppliers, their corporate groups defined by Accountability Framework initiative (AFi), and their investee companies including joint ventures to adopt the No Deforestation, No Peat, No Exploitation (NDPE) policies, to prohibit conversion and degradation of natural ecosystems, to preserve biodiversity, High Conservation Value Forests (HCVF) defined by HCV Network, High Carbon Stock Forests (HCSF) defined by HCSA (High Carbon Stock Approach) and peatlands, to prohibit use of fire for development, and to respect the human rights of all people involved in the supply chain and the rights of workers, indigenous people, and local communities, regarding all their forest-risk commodities' supply chains, including palm oil. Kao is proceeding to seek and confirm strict compliance with Free Prior Informed Consent (FPIC) of the communities. Kao has a zero-tolerance policy in place for its supply chains regarding violence, criminalization or intimidation of Human Rights Defenders (HRDs).

Kao ensures suppliers and Kao's entire supply chain through its suppliers to comply with the above policies thoroughly, prioritizes purchasing from those suppliers who implement them and conducts due diligence. When finding non-compliant suppliers, Kao requests them to make improvements, confirm improvement status, and retain the option to terminate its business contracts with them in accordance with its corporate protocols.

To begin with its dialogues with local oil palm smallholders, cooperating with oil suppliers by means of traceability information and satellite monitoring, Kao is strengthening its activities in these areas to address key challenges in improving sustainability. Kao will also update external stakeholders such as NGOs, and further encourage improvements through dialogues with them.

ABOUT EARTHWORM FOUNDATION

About Earthworm Foundation

Earthworm Foundation is a non-profit organization built on values and driven by the desire to positively impact the relationship between people and nature. With most of our staff operating directly on the ground where the issues are, we work with our members and partners to make value chains an engine of prosperity for communities and ecosystems. We see a world where forests are a boundless source of materials and a home for biodiversity; communities see their rights respected and have opportunities to develop; workers are seen as productive partners, and agriculture becomes the instrument to feed a hungry planet and keep our climate stable.

We envision a global society that respects itself and the needs of nature. To achieve our vision, we partner with businesses and others with the same goal of solving the social and environmental challenges our world faces, working pragmatically from boardrooms to farms, feet in the field.

Our values are our greatest asset. They guide us forward and serve as the cultural cornerstone, as we interact with our stakeholders and peers. It is no coincidence that the first step in engaging people in our work typically puts values at the centre of the conversation. We strive to live by our values but also inspire others to live by theirs.

FOREST FOOTPRINT OVER RIAU

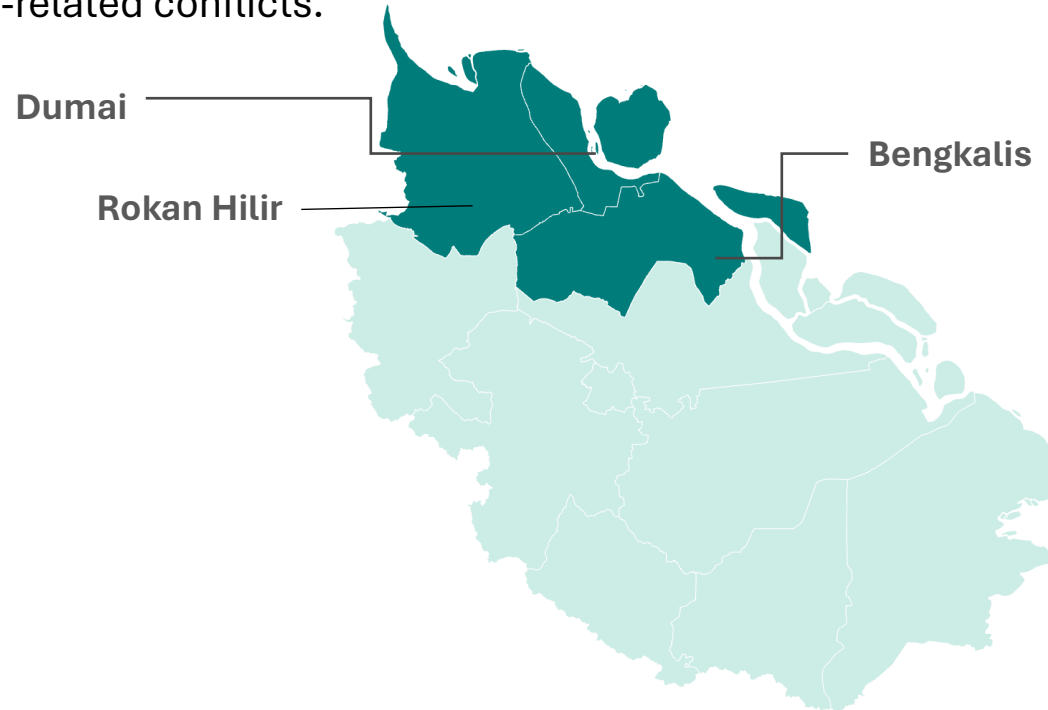
Indonesia is the world's largest producer of palm oil, and its smallholder oil palm plantations involve more than 2.3 million farmers. Riau province is a crucial province for agricultural commodity production: approximately 2.5 million ha of oil palm and 2 million ha of pulp & paper. This Forest Footprint assessment over Riau aims to identify area for improvement in proximity to Kao's supply chain related to forests and peatland conservation and the rights of indigenous peoples and local communities in customary land. In turn, this will allow us to leverage this knowledge to design effective, forward-looking engagement strategies.



CASE STUDY OVERVIEW AND AMBITIONS

This Forest Footprint analysis was conducted over Riau province with detailed analyses over the 3 districts of Rokan Hilir, Bengkalis and Dumai where Kao are sourcing palm oil.

The Forest Footprint analyses palm oil mills, their sourcing areas (concessions or smallholder farms), and nearby intact forests and peatlands. This analysis considers factors like suitable land and planned development zones to identify areas with higher potential for land use change or conversion. Additionally, the analysis identifies known customary lands and any overlap with concessions or mill sourcing boundaries. This mapping is crucial for understanding how future palm oil development might impact local community's rights and potential land-related conflicts.



CASE STUDY OVERVIEW AND AMBITIONS

Partnering with Earthworm Foundation, Kao uses this Forest Footprint to pinpoint the location of forests, peatlands, and community lands near mills within our supply chain. This analysis was carried out using basemaps from [Starling](#) satellite mapping and monitoring technology in combination with relevant datasets (see appendix):

- Publicly available oil palm sourcing boundaries
- Palm oil mills that supply to Kao in H1 2023
- A 50km radius around each mill
- Protected areas from geoportal of Ministry of Environment and Forestry (MoEF) of Indonesia (2021)

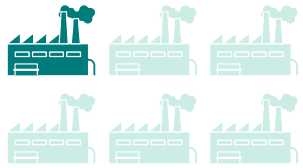
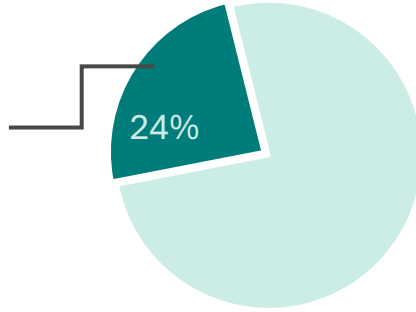
This analysis revealed both the extent of remaining forests and intact peat within Kao's sourcing areas suitable and physically accessible to potential palm oil development and the potential overlap with customary land boundaries. We aim to use this Forest Footprint assessment as a tool to identify key opportunities to conserve the forest, and to prioritize actions on sustainable palm oil procurement supply chain and conservation efforts moving forward.

We acknowledge that this analysis could be further complemented thanks to;

- Increased supply chain transparency including additional traceability to plantation data and information on linkages between plantation and mills.
- Additional data on customary land related to location, boundaries, as well as usage and land rights to further understand potential overlap in areas suitable for palm development.

BACKGROUND OF KAO SUPPLY CHAIN IN RIAU

In 1st half 2023, Kao was linked to **180 palm oil mills** in Riau Province.



31 of the 180 mills linked to Kao's supply chain in Riau are **RSPO-certified**.

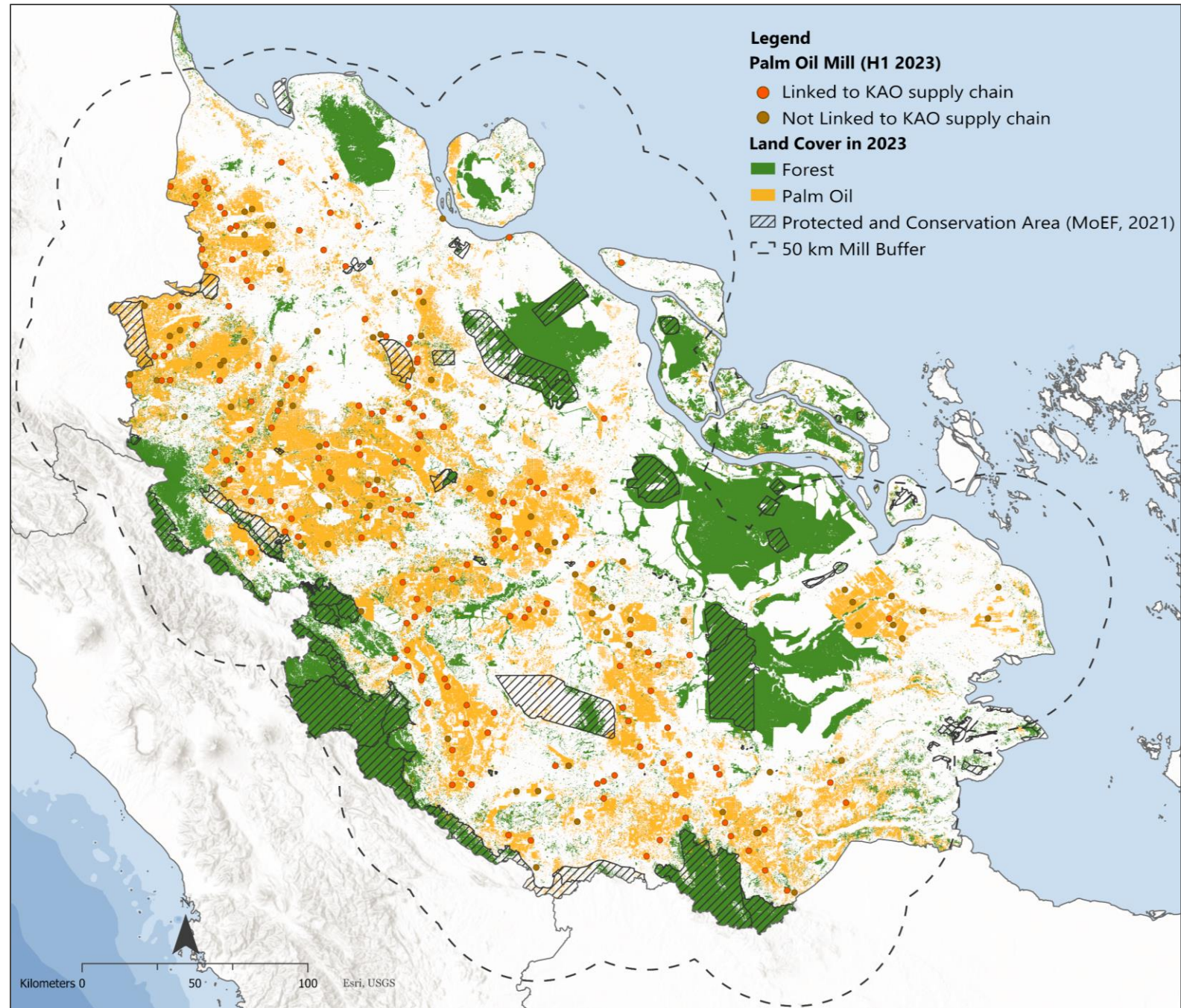


In 2023, **22% (1,992k ha)** of Riau Province was covered by **forest** and **19% (1,698k ha)** was covered by **oil palms**.

50 km distance from mill established as potential sourcing area.



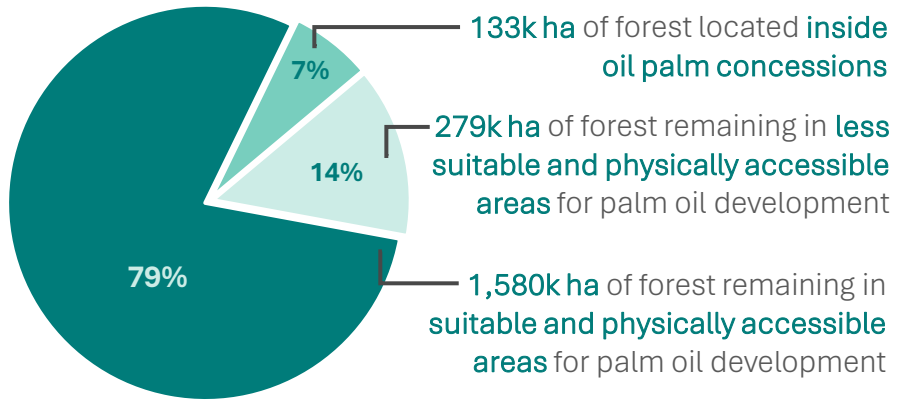
There are **261 palm oil mills** in Riau province, **95%** of the total area is categorized as a potential sourcing area.



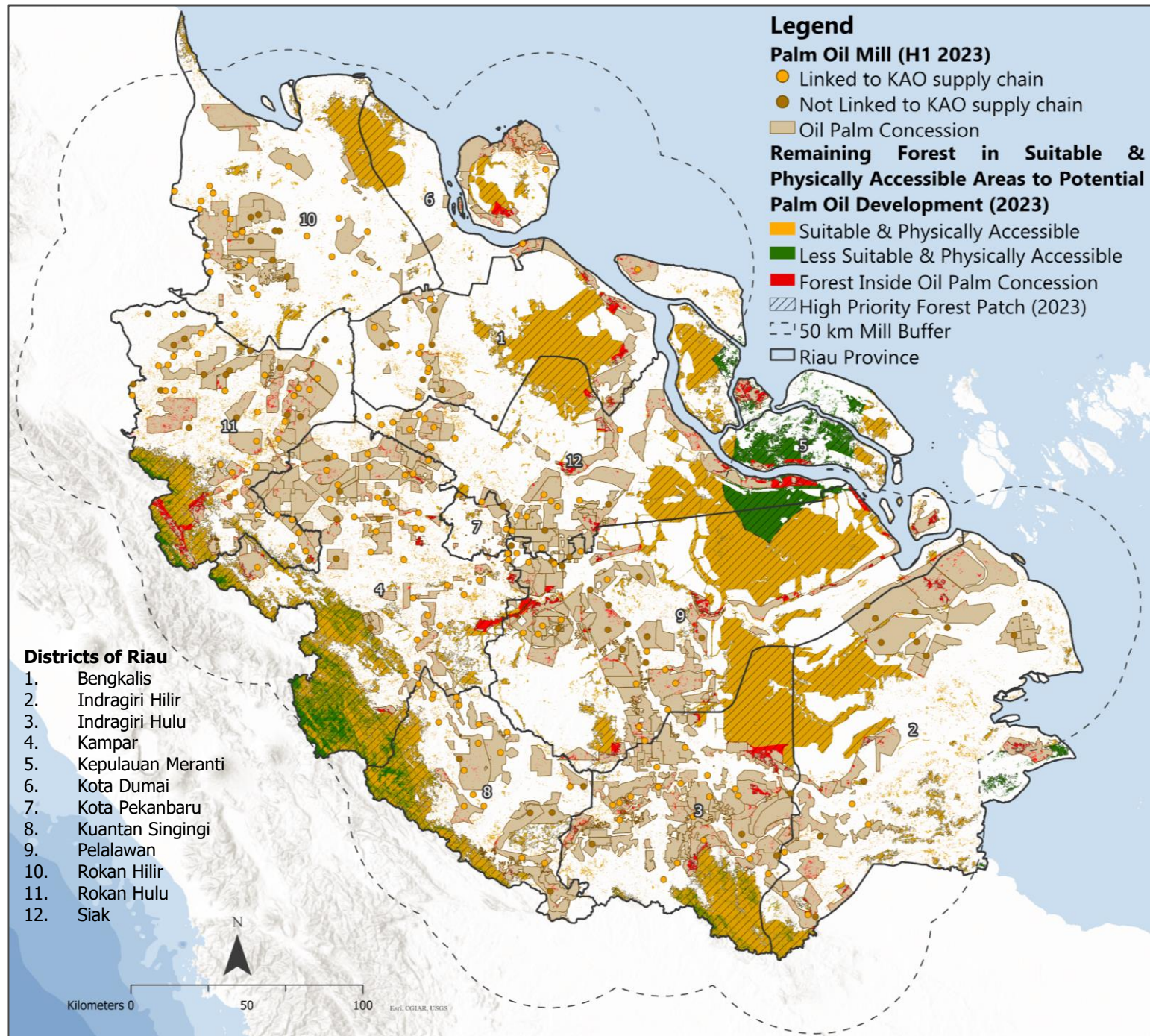
FOREST AREA ANALYSIS, RIAU

Findings

Suitable and physically accessible forest areas to potential palm oil development are located outside known oil palm concessions, within a 50-kilometer buffer from the mill, and have suitable terrain (0-22° of slope and 0-600 m asl of elevation) for palm oil expansion.



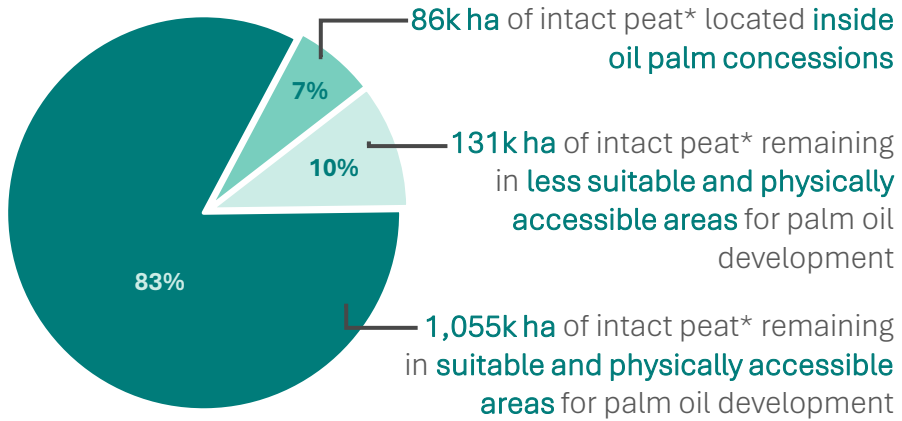
High Priority Patches of forest (largest contiguous forest remnants) were found standing inside **93 of 289 (32%)** oil palm concessions in Riau.



INTACT PEAT AREA ANALYSIS, RIAU

Findings

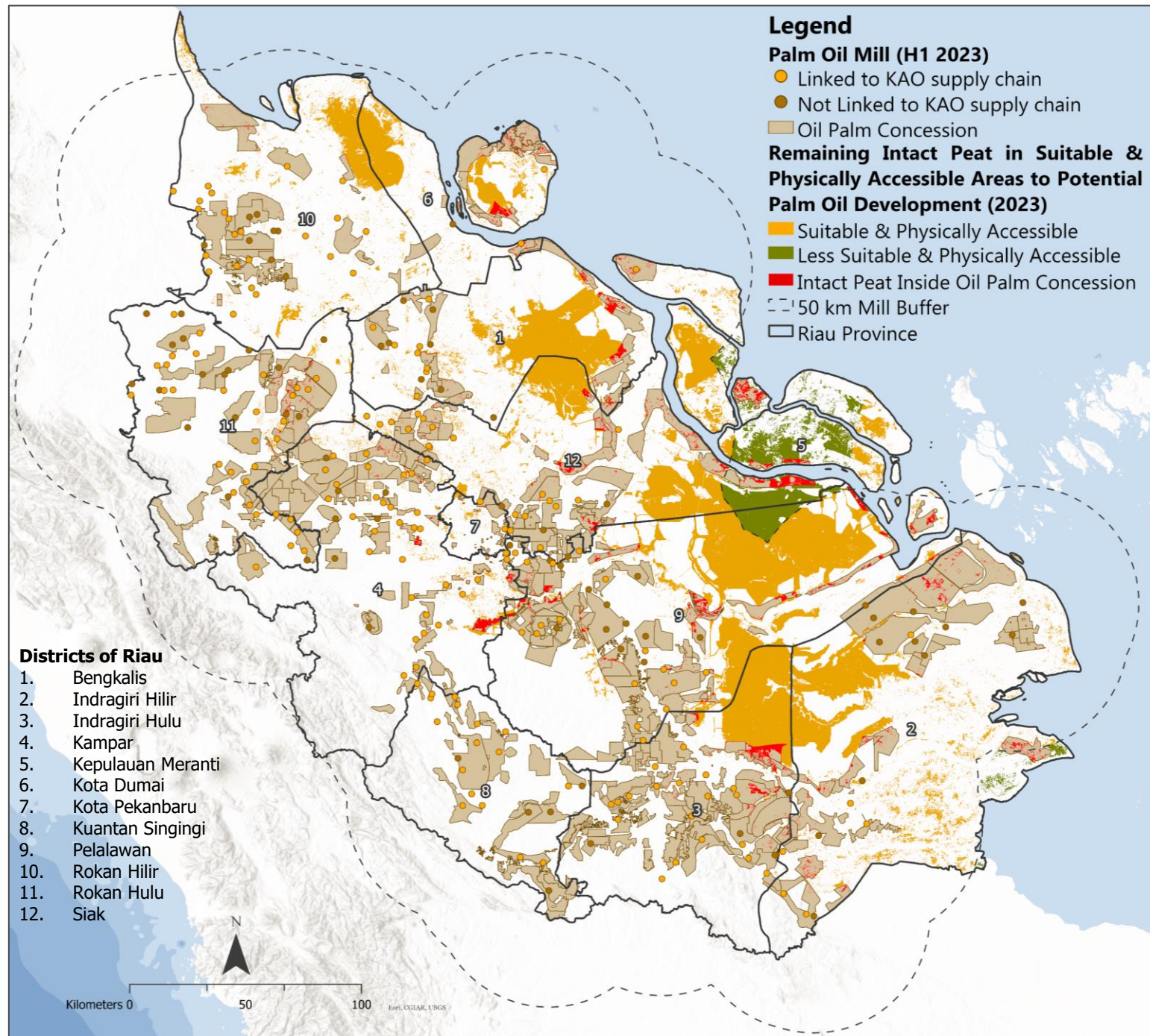
Suitable and physically accessible intact peat areas to potential palm oil development are located outside known oil palm concessions, within a 50-kilometer buffer from the mill, and have suitable terrain (0-22° of slope and 0-600 m asl of elevation) for palm oil expansion.



Intact peat* was found within **176 of 289 (61%)** oil palm concessions in Riau still have intact peat*.



*Peat is considered intact if still covered with forest.



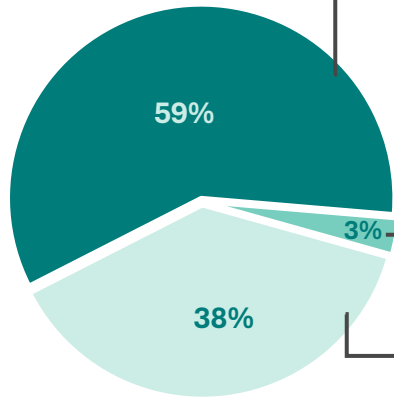
CUSTOMARY LAND ANALYSIS, RIAU

Findings



In 2023, **95k ha (40%)** of Riau's standing forest overlapped with known customary land identified by the Ancestral Domain Registration Agency (BRWA).

There was no peat land found to be overlapping known customary land areas.

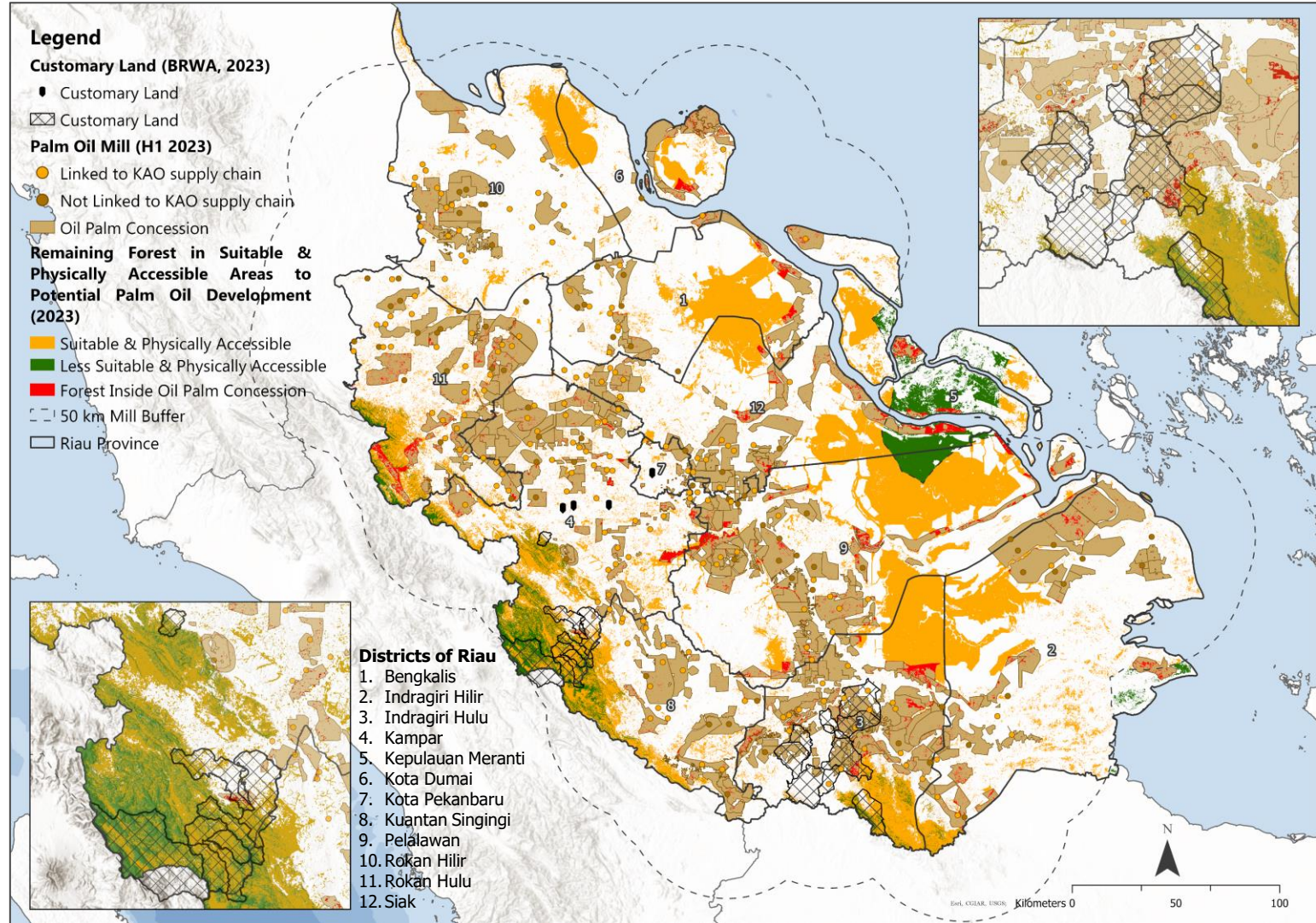
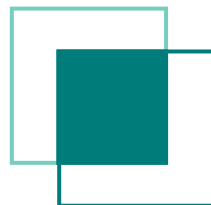


56k ha of forest remaining in **suitable and physically accessible areas** for palm oil development overlapping customary land

3k ha of customary land overlapping with forest and located **inside the oil palm concession**

36k ha of forest remaining in **less suitable and physically accessible areas** of palm oil development overlapping with customary land

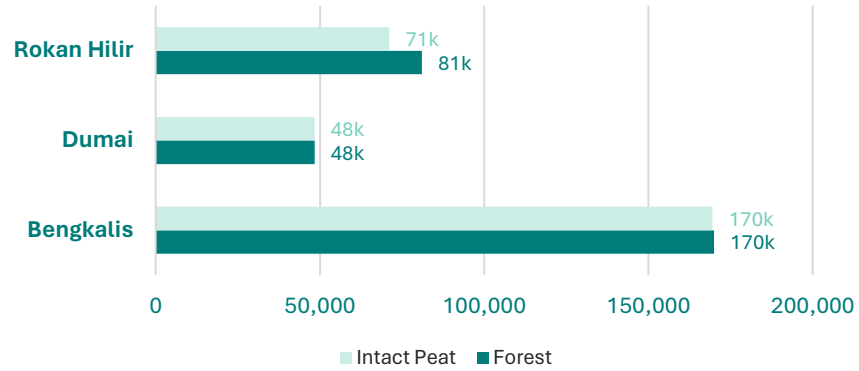
74k ha (31%) of the known customary land area in Riau overlap with publicly available oil palm concession data.



DETAILED ANALYSIS IN ROKAN HILIR, BENGKALIS, AND DUMAI DISTRICTS

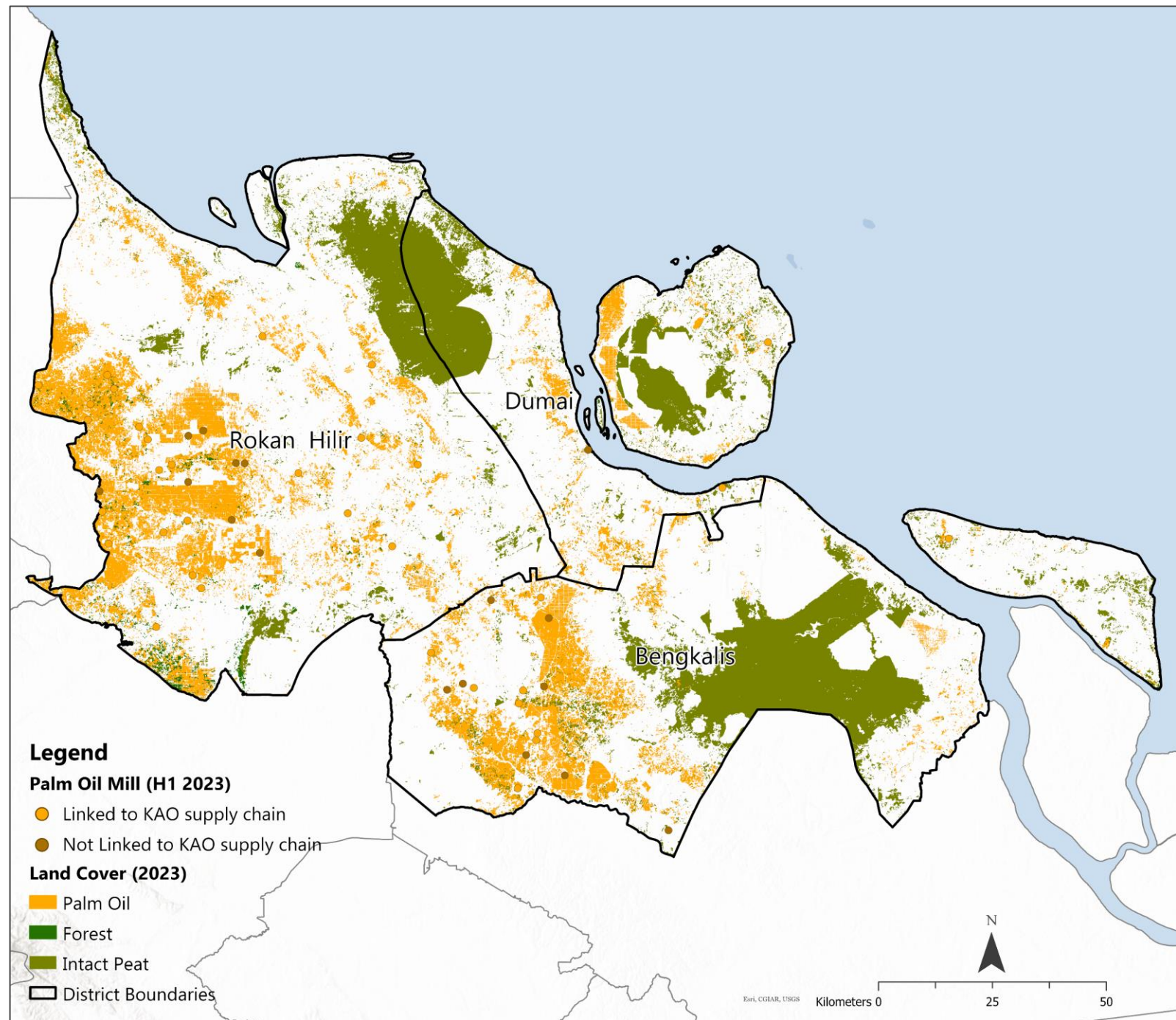
Findings

Land Cover (ha)



In 2023, the three districts were covered with **299k ha (15%)** of forest, and **289k ha (15%)** of intact peat*.

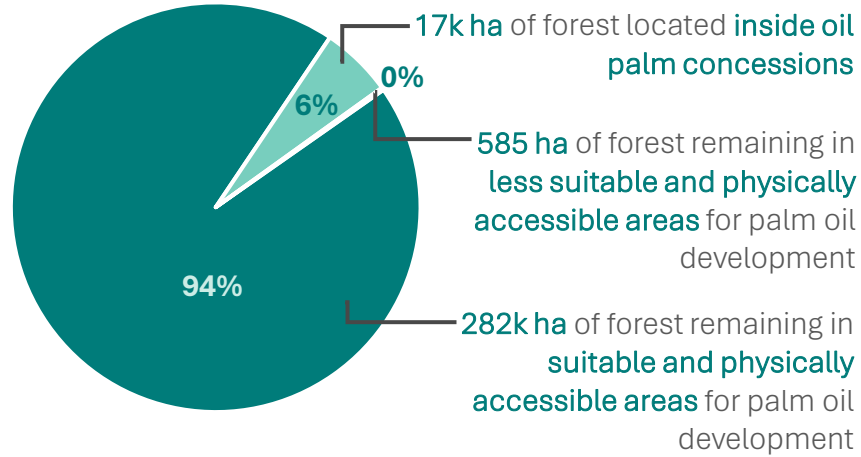
*Peat is considered intact if still covered with forest.



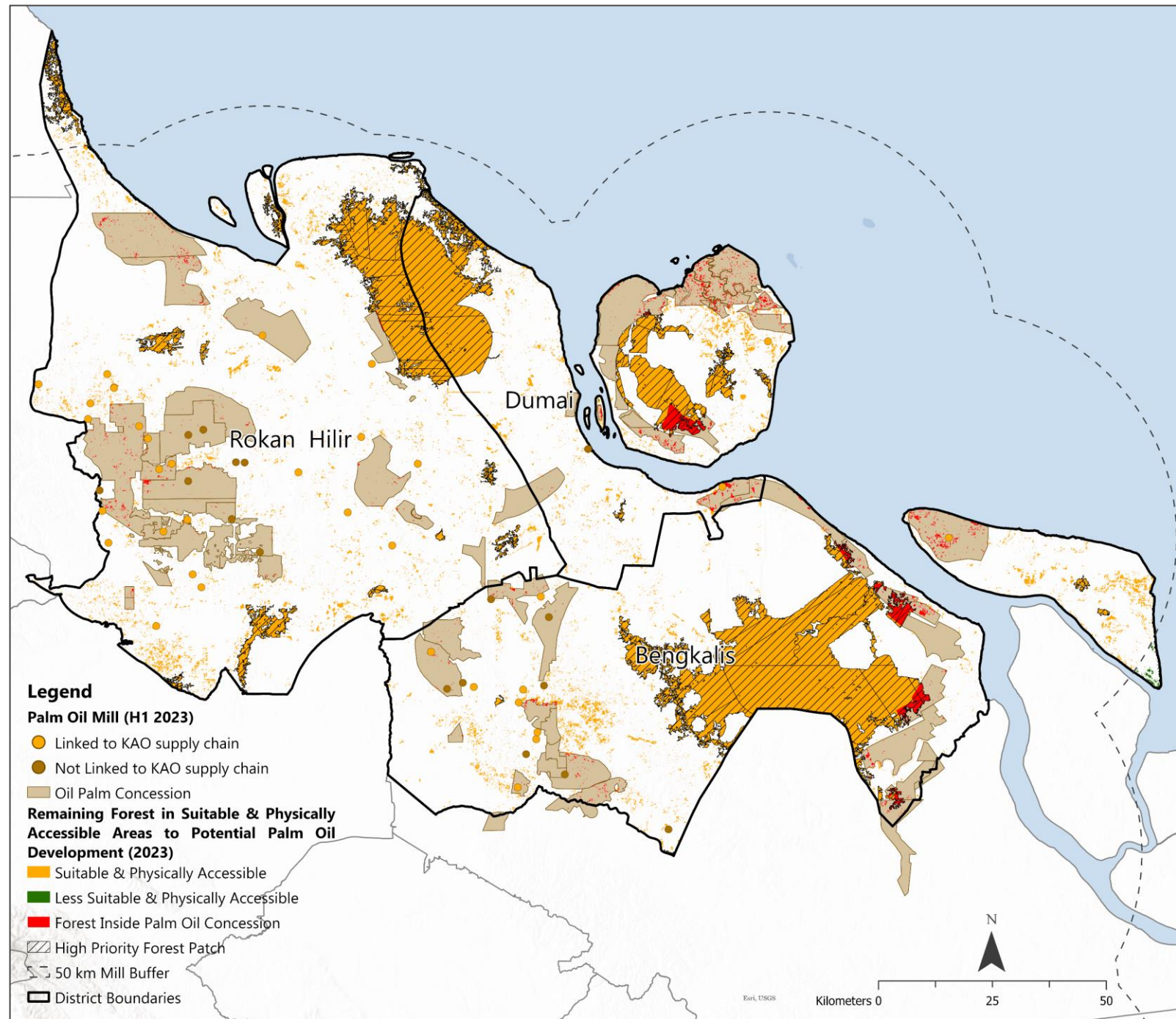
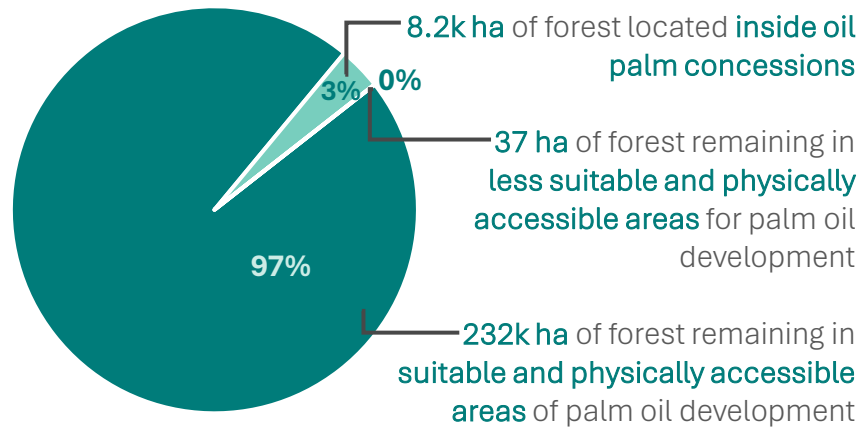
DETAILED ANALYSIS IN ROKAN HILIR, BENGKALIS, AND DUMAI DISTRICTS

Findings

Forest areas to be Monitored



High Priority Patch of forest (HPP) to be Monitored



NEXT STEPS



Through the assessment of the Forest Footprint in Dumai and two adjacent districts within the Riau Province, a palm oil sourcing region for Kao, the assessment identified areas where Kao's supply chain can improve its environmental impact, such as mandating sustainable forest management practices and responsible land development. The assessment also highlighted opportunities to strengthen relationships with local communities and ensure respect for their land rights.

We are dedicated to establishing a fully NDPE-compliant (No Deforestation, No Peat, No Exploitation) supply chain, achieved through ongoing collaboration with various stakeholders. Going forward, we intend to enhance engagement with suppliers through initiatives such as conducting NDPE (No Deforestation, No Peat, No Exploitation) surveys, ensuring traceability, facilitating dialogues with local oil palm smallholders, and mandating that suppliers respect the rights of indigenous peoples and local communities in customary land by adhering to Free Prior Informed Consent (FPIC) principles.

NEXT STEPS



Furthermore, we have undertaken various activities, including the promotion of the SMILE (SMallholders Inclusion for Better Livelihood & Empowerment) Program. This program, implemented in partnership with Apical Group, a leading vegetable oil processor, and Asian Agri, a plantation and palm oil company, supports approximately 5,000 independent oil palm smallholders across the provinces of North Sumatra, Riau, and Jambi in Indonesia. The aim is to enhance productivity and facilitate sustainable palm oil certification (RSPO).

Kao has partnered with Caux Round Table Japan (CRT Japan), a non-profit organization dedicated to sustainable and socially responsible business practices, to launch the Kao Grievance Mechanism. This smartphone-based system allows us to directly receive and address concerns related to human rights, land disputes, and plantation operations (such as RSPO certification and labor safety) from independent oil palm smallholders. This proactive approach demonstrates our commitment to identifying and resolving issues collaboratively.

We prioritize open communication with our upstream suppliers to achieve our goal of sustainable palm oil sourcing.

Reference: [Kao | Palm Oil Dashboard](#)



APPENDIX - DATASETS USED

Forest and Palm Oil (Land Cover)

- *[Basemap from Starling satellite mapping and monitoring technology \(2023\)](#)*

Peat Land

- *[UN Environment Programme \(2022\)](#)*

Customary Land

- Digitization from Ancestral Domain Registration Agency *[BRWA \(2023\)](#)*

Palm Oil Concession and Mill

- Consolidated dataset from public sources: *[GeoRSPO](#), [RSPO Reports](#), [Greenpeace](#), and [Nusantara Atlas](#) sources*

Digital Elevation Model (DEM)

- *[USGS Earth Explorer \(2014\)](#)*

Protected and Conservation Area

- Geportal of *[Ministry of Environment and Forestry \(MoEF\) of Indonesia \(2021\)](#)*

Riau Province administrative boundaries

- *[Geportal of Geospatial Information Agency \(BIG\) of Indonesia \(2022\)](#)*