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A Vital EGM to Protect Kao

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From *Better* to *Protect*



In 2025, **Oasis campaigned for a BETTER Kao**, bringing attention to the potential within its market leading brands that could be capitalized under improved stewardship.

Oasis proposed five directors to the board, among whom, high-level executives from sector leaders spanning marketing, digital and supply chain, amongst others.

As long-term investor, we are **equally aware of risk and the need to PROTECT the value of our investment**, and the interests of other stakeholders.

In launching the **PROTECT Kao campaign**, we focus not on the missed opportunity that is still abundant at Kao, but the **apparent neglect of material business risk** – specifically relating to supply chain – seeking to ensure **sufficient transparency with shareholders, and accountability for failures that become apparent**.

This is not an ESG Campaign

This is not a peripheral "ESG" shareholder proposal. This issue has a direct impact on Kao's core business operations. Palm oil is a critical input, and the risks associated with its sourcing are **financially material**.

Support for A Better Kao



Glass Lewis: *we believe the Company's history of execution failures and long-term underperformance may reasonably justify targeted additions to the Company's board, particularly given the lack of industry-specific expertise among the Company's outside directors.*

Wellington Management: *Shareholder proposal can be expected to encourage management and oversight of a material issue, which in turn supports long-term shareholder value.*

MUFJ Asset Management: *The company's global strategy needs to accelerate the pace of deployment, and it is better to bring in new perspectives to activate discussions on the strategy. I agree with proposing candidates from the company and candidates without overlapping skills.*

T. Rowe Price: *The appointment of Yannis Skoufalos could bring extensive expertise in global supply chain and relevant experience from one of the largest international consumer goods companies, which could be beneficial for optimizing Kao's supply chain operations and driving operational improvements*

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Yannis Skoufalos, a supply chain specialist with nearly 35 years of experience at P&G, was the most supported candidate, receiving 27.4% of votes in favor.

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EXECUTIVE SUMMARY

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Risk to Kao's Corporate Value

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Kao's Palm Oil Dependency Creates Material Risk

- Kao has stated that **100% of its revenues depend on palm oil**, and within its global peer group, Kao is second only to Unilever in palm oil consumption.
- The palm oil supply chain contains inherent risks, which has long been a **focus point for investors**, who expect palm oil heavyweights to actively engage and source responsibly.
- Exposure to high-risk suppliers and weak oversight **creates a material financial risk** through reputational damage, operational disruption or **regulatory issues which could disrupt global growth opportunity:**
  - Kao estimates reputational palm oil–sourcing concerns alone could **reduce revenue by up to ¥111.3B.**
- These risks translate into **potential impacts on corporate value** beyond the erosion of performance as ESG controversies may result in ESG rating deterioration and possible index exclusion, creating a sell-off from certain institutional investors.
- The **risk to Kao's corporate value is amplified** as the Company positions itself as a **sustainability-focused company**, meaning that proper management of supply chain risks is pertinent for its brand image and reputation.

Concerns Emerge

- After its campaign for "A Better Kao" in 2024, Oasis was made aware of **allegations relating to Kao's supply chain risk** management by a whistleblower.
- Oasis commissioned an external report into the implementation of Kao's NDPE (No Deforestation, No Peat, No Exploitation) Policy, which shed light on **relationships between Kao and several problematic suppliers linked to deforestation and human rights abuses**.

Risk to Kao's Corporate Value

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Problematic Supplier Relationships

- Kao has been exposed to **several high-risk suppliers** in breach of their own NDPE policy**:**
  - **Royal Golden Eagle ("RGE"):** Maintains a JV relationship despite allegations of human rights abuses across affiliated entities.
  - **FGV Holdings ("FGV"):** Kao's largest named mill operator in recent years, despite a U.S. Customs WRO (2020–2026) as well as peer sourcing suspensions following accusations of slave and child labor.
  - **Astra Agro Lestari ("AAL"):** Appearing as a major supplier in Kao's mill list, despite being linked to deforestation and human rights controversies and suspended by peers. Similar concerns also apply to **PT Aceh Trumon Anugerah Kita ("PT ATAK").**
- Kao's connection to high-risk suppliers raises concerns around the **effectiveness of its supplier due diligence, audit and risk oversight.** Limited transparency then further constrains stakeholder visibility into the extent of exposure.

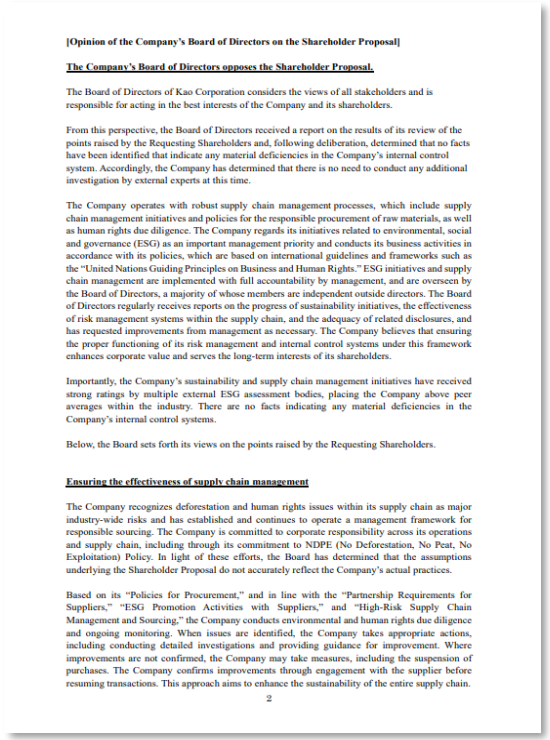
Questionable Risk Management

- Kao has stated that its approach to problematic suppliers centers on engagement and monitoring, however this is a **high-risk approach**, and an outlier compared to peers. This **increases the burden on oversight and transparency to protect shareholder interests.**
- As noted, disclosures limit the understanding of the extent of the risk, however, the problematic relationships point to **flawed oversight**:
  - **Kao's Board lacks the required skills** to robustly manage these risks and challenge a management team that is incentivized (through the ESG KPI in pay) to cover up issues.
  - Board oversight on ESG is limited compared to at peers as **no board-level committee** enhances director involvement - ESG risk is more a management issue.

Kao's Self-Audit Validates Concerns

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Kao's response to the Shareholder Proposal leaves key investor risks unaddressed. Oasis' concern that Kao's oversight is conflicted to review has been validated and compounds bias of further reviews that are internally mandated.



[Opinion of the Company's Board of Directors on the Shareholder Proposal]

The Company's Board of Directors opposes the Shareholder Proposal.

The Board of Directors of Kao Corporation considers the views of all stakeholders and is responsible for acting in the best interests of the Company and its shareholders.

From this perspective, the Board of Directors received a report on the results of its review of the points raised by the Requesting Shareholders and, following deliberation, determined that no facts have been identified that indicate any material deficiencies in the Company's internal control system. Accordingly, the Company has determined that there is no need to conduct any additional investigation by external experts at this time.

The Company operates with robust supply chain management processes, which include supply chain management initiatives and policies for the responsible procurement of raw materials, as well as human rights due diligence. The Company regards its initiatives related to environmental, social and governance (ESG) as an important management priority and conducts its business activities in accordance with its policies, which are based on international guidelines and frameworks such as the "United Nations Guiding Principles on Business and Human Rights." ESG initiatives and supply chain management are implemented with full accountability by management, and are overseen by the Board of Directors, a majority of whose members are independent outside directors. The Board of Directors regularly receives reports on the progress of sustainability initiatives, the effectiveness of risk management systems within the supply chain, and the adequacy of related disclosures, and has requested improvements from management as necessary. The Company believes that ensuring the proper functioning of its risk management and internal control systems under this framework enhances corporate value and serves the long-term interests of its shareholders.

Importantly, the Company's sustainability and supply chain management initiatives have received strong ratings by multiple external ESG assessment bodies, placing the Company above peer averages within the industry. There are no facts indicating any material deficiencies in the Company's internal control systems.

Below, the Board sets forth its views on the points raised by the Requesting Shareholders.

Ensuring the effectiveness of supply chain management

The Company recognizes deforestation and human rights issues within its supply chain as major industry-wide risks and has established and continues to operate a management framework for responsible sourcing. The Company is committed to corporate responsibility across its operations and supply chain, including through its commitment to NDPE (No Deforestation, No Peat, No Exploitation) Policy. In light of these efforts, the Board has determined that the assumptions underlying the Shareholder Proposal do not accurately reflect the Company's actual practices.

Based on its "Policies for Procurement," and in line with the "Partnership Requirements for Suppliers," "ESG Promotion Activities with Suppliers," and "High-Risk Supply Chain Management and Sourcing," the Company conducts environmental and human rights due diligence and ongoing monitoring. When issues are identified, the Company takes appropriate actions, including conducting detailed investigations and providing guidance for improvement. Where improvements are not confirmed, the Company may take measures, including the suspension of purchases. The Company confirms improvements through engagement with the supplier before resuming transactions. This approach aims to enhance the sustainability of the entire supply chain.

2

1. **Reliance on internal assessment rather than independent validation:** Kao's asserts that an internal review identified no material deficiencies. However, the Board could have chosen to endorse an extensive shareholder mandated investigation for true independent validation, or appoint a Third-Party Committee – instead, Kao selected to go with a conflicted self-audit.
2. **Focus on policies and governance over outcomes:** The response highlights frameworks but provides limited evidence of effectiveness, given ongoing exposure to controversial suppliers.
3. **Limited engagement with specific supplier-level allegations:** Kao does not fully address the cases highlighted. Instead, Kao either acknowledges exposure without explaining what actions were taken, or denies direct or indirect transactions with suppliers. Kao's example of an escalation with IOI Group is a decade-old case where remediation was led externally by RSPO.
4. **Transparency gaps around risk management and escalation:** The Company highlights internal reporting, grievance mechanisms, and third-party assessments, but provides limited visibility into how risks are identified, escalated, and resolved in practice.
5. **Focus on disclosure improvements as a remedy:** Kao states that it is continuing to enhance disclosures on supply chain risk management, suggesting that increased disclosure is sufficient to nullify the need for an independent investigation.

A line-by-line analysis of Kao's Response is included in the Appendix

Independent Investigation is a MUST

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Investors have made sustainability risk management a focus of engagements and exercised their rights accordingly. This includes choosing to sell out, or escalating pressure through exercising votes or submitting shareholder proposals.

Why a shareholder-mandated investigation is necessary:

- Oasis' due diligence uncovers fu**ndamental misalignments between what Kao communicates** and what it appears to be doing. Beyond their material impact, these discrepancies undermine the integrity of Kao's capital markets messaging, as they conflict directly with the strategy it claims to prioritize. **Trust in this area is key.**
- **Conflicts exist at board-level** as oversight mechanisms will be a central focus of the investigation which conflicts board selection of investigators or influence over scope.
- Investigators given a mandate by shareholders will be empowered to act in full independence from management and **determine the root cause without bias**.

How an investigation will benefit all shareholders:

- External assurance on material risk at **minimal cost and disruption** can only benefit an organization and **build trust** with stakeholders – if there is an issue, it's **better to identify and fix**, instead of risk longer-term impacts.
- Greater transparency on supply chains that impact 100% of Kao's revenues will give **greater clarity of investment risk**.
- A thorough investigation will **build confidence in Kao's ESG communications** and commitments.
- Outside interrogation of practices will **promote the adoption of stronger oversight of supplier risks**.
- **Promote higher standards across the industry** around comply or explain regarding the NDPE Policy.

Proposed Investigators

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Fully independent and deeply experienced investigators, selected from a rigorous process.



Shinji KUSADA (Lawyer, Corporate Law)

- Extensive experience in shareholder-initiated corporate investigations aimed at restoring trust and improving governance
- Served as part of the investigation team in 2021's Toshiba EGM, which led to meaningful governance reforms
- Deep expertise in Japanese corporate law and fiduciary duties



Akira MAEKAWA (Lawyer, Financial Regulation)

- Former Financial Securities Inspector for Kanto Finance Bureau of the Ministry of Finance, brings regulatory insight to strengthen corporate disclosure practices
- Track record of helping companies navigate complex regulatory and compliance challenges
- Complementary expertise in governance disputes



Max CARR-HOWARD (Lawyer, ESG Compliance)

- Member of Dentons' ESG Advisory Board with expertise in global compliance program design and remediation
- Over 25 years' experience helping multinationals strengthen governance and internal controls across 45+ countries
- Designing best-in-class corporate risk management programs

- ✓ Independent of Kao
- ✓ Independent of Oasis
- ✓ Appropriate Content Expertise
- ✓ Global Experience
- ✓ Track-Record in Investigations
- ✓ Selected from rigorous process

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Kao’s Dependence on Palm Oil

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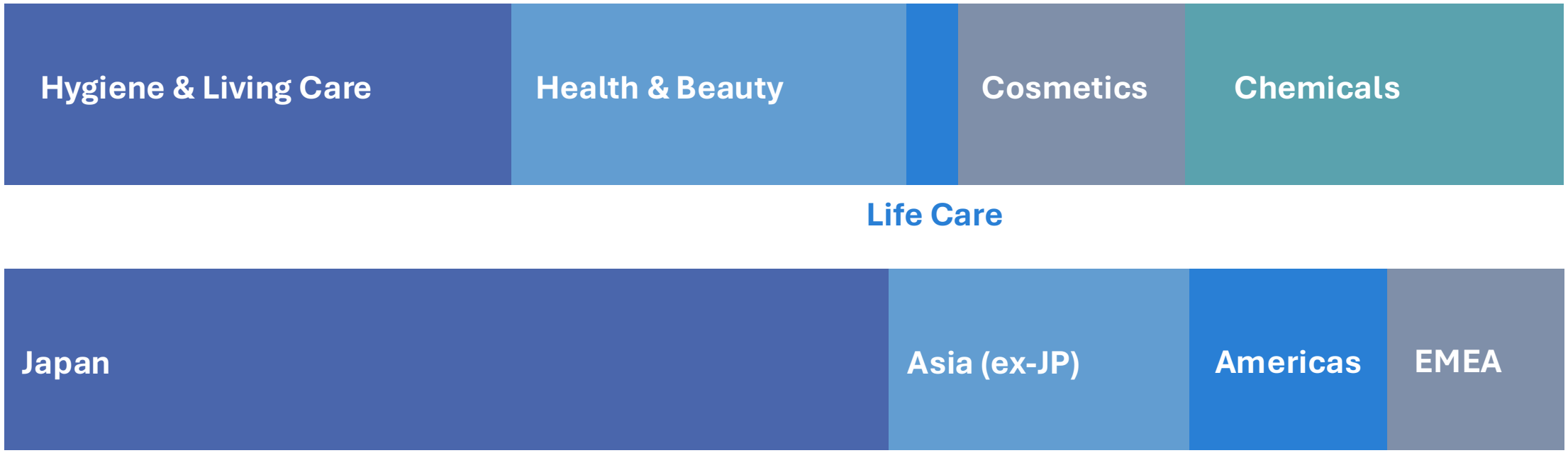
Kao Corp.

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As highlighted in Oasis' "A Better Kao" campaign, Kao is Japan's sleeping giant, possessing a strong portfolio of brands with clear growth runways.

Founded in 1890, Kao Corp is Japan's largest Fast Moving Consumer Goods ("FMCG") company, with a diversified product portfolio spanning everything from children's diapers to luxury skincare. In addition to its core consumer products business, Kao retains a sizable chemicals business focused primarily on oleochemicals.

Breakdown of Net Sales by Division + Geography



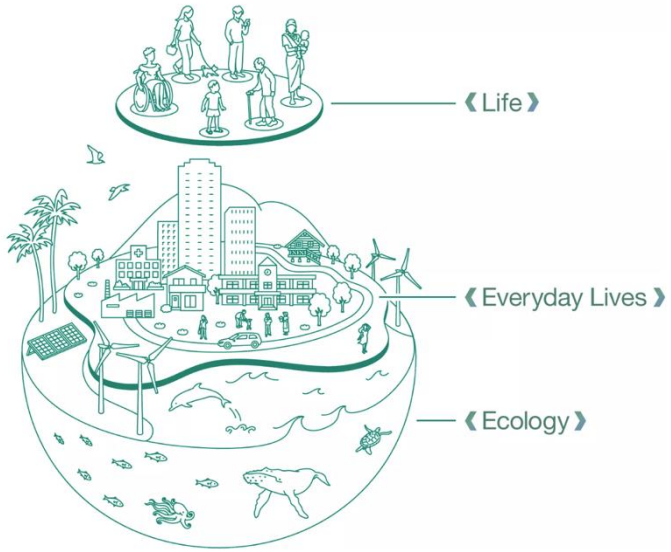
ESG is Core to Kao

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Kao's corporate purpose is "To Realize a Kirei World in Which All Life Lives in Harmony", underpinned by their ESG strategy, "Kirei Lifestyle Plan". Kao asserts that it's corporate strategy, K27, is fuelled by ESG strategy.

Kao's ESG Strategy Fuels *Global Sharp Top*

〈 Three areas of our value creation 〉



Source: Kao 2025 Integrated Report

The only company in Asia that has been recognized for

19 consecutive years

19 consecutive years: Only 6 companies worldwide

ETHISPHERE® WORLD'S MOST ETHICAL COMPANIES® 2007 - 2025

1. "world's most ethical companies" is a registered trademark of Ethisphere LLC a for-profit consulting firm Kao uses for its executive bonus scheme

Socially Responsible Investment Indexes

2024 MSCI ESG Leaders Indexes Constituent

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

FTSE4Good

S&P/JPX Carbon Efficient Index

MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index TOP CONSTITUENT 2025

"Our commitment remains unwavering: to create a more sustainable world by delivering maximum value with minimal impact."

The only company in Japan that has been selected for

5 consecutive years

2024 CDP Triple-A: Only 8 companies worldwide

Climate Forests Water CDP A List 2024

ESG is Core to Kao

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President Hasebe has set out sustainability as “the only path”.



“Sustainability as the only path” July 2025

“We will not invest a single yen in anything that violates ESG principles going forward” Nikkei, April 2025

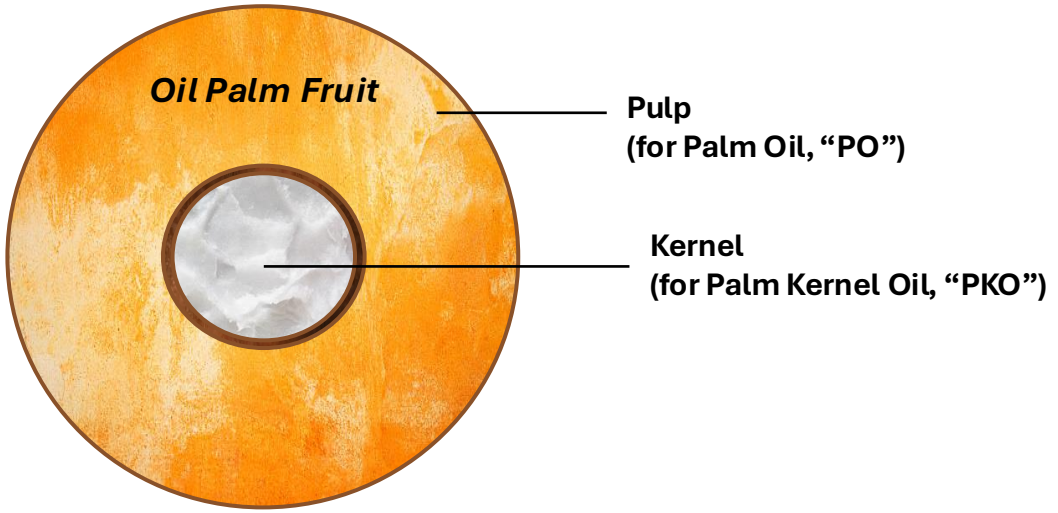
“Our commitment remains unwavering: to create a more sustainable world by delivering maximum value with minimal impact.” Integrated Report, 2025

What is Palm Oil

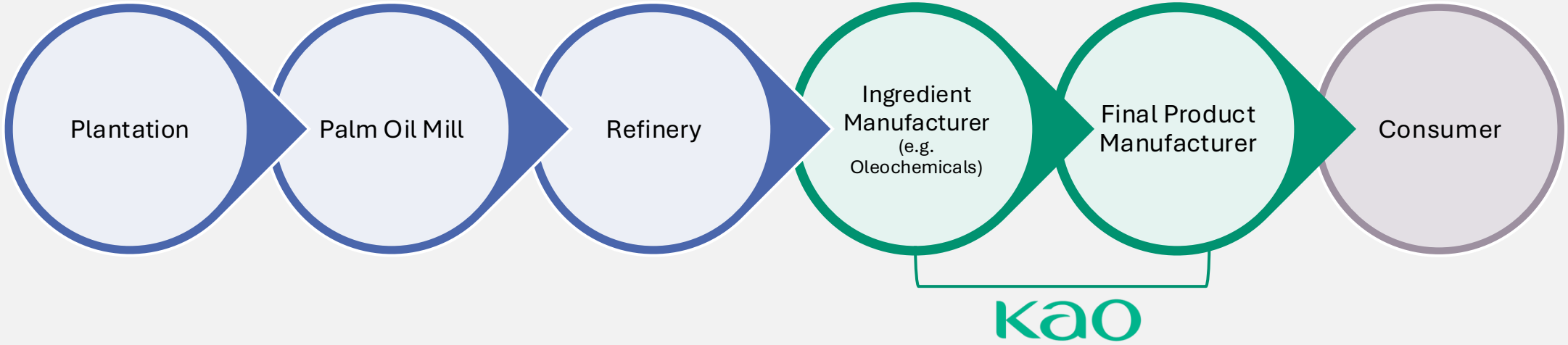
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Palm Oil ("PO") is the world's most widely consumed vegetable oil due to its wide range of applications and high crop yields. It is extracted from the reddish fruit pulp of the oil palm fruit

Palm Kernel Oil ("PKO") is extracted through a different process, from the hard seed inside the fruit. PKO's high lauric acid content make it useful for specialty fats and oleochemicals used in consumer products like soaps – Kao recently surpassed Unilever in PKO usage (see slide 20 for Kao's PKO consumption).



Both products are valuable and travel through this **supply chain from plantation to consumer**:



Kao's Closest Palm Oil Peers

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Peer group selected based on product category and exposure to palm-derived supply chains

Personal Care Products

Kao
L'ORÉAL
ESTĒE LAUDER
Unilever
Beiersdorf

Household Products

reckitt
Colgate
P&G

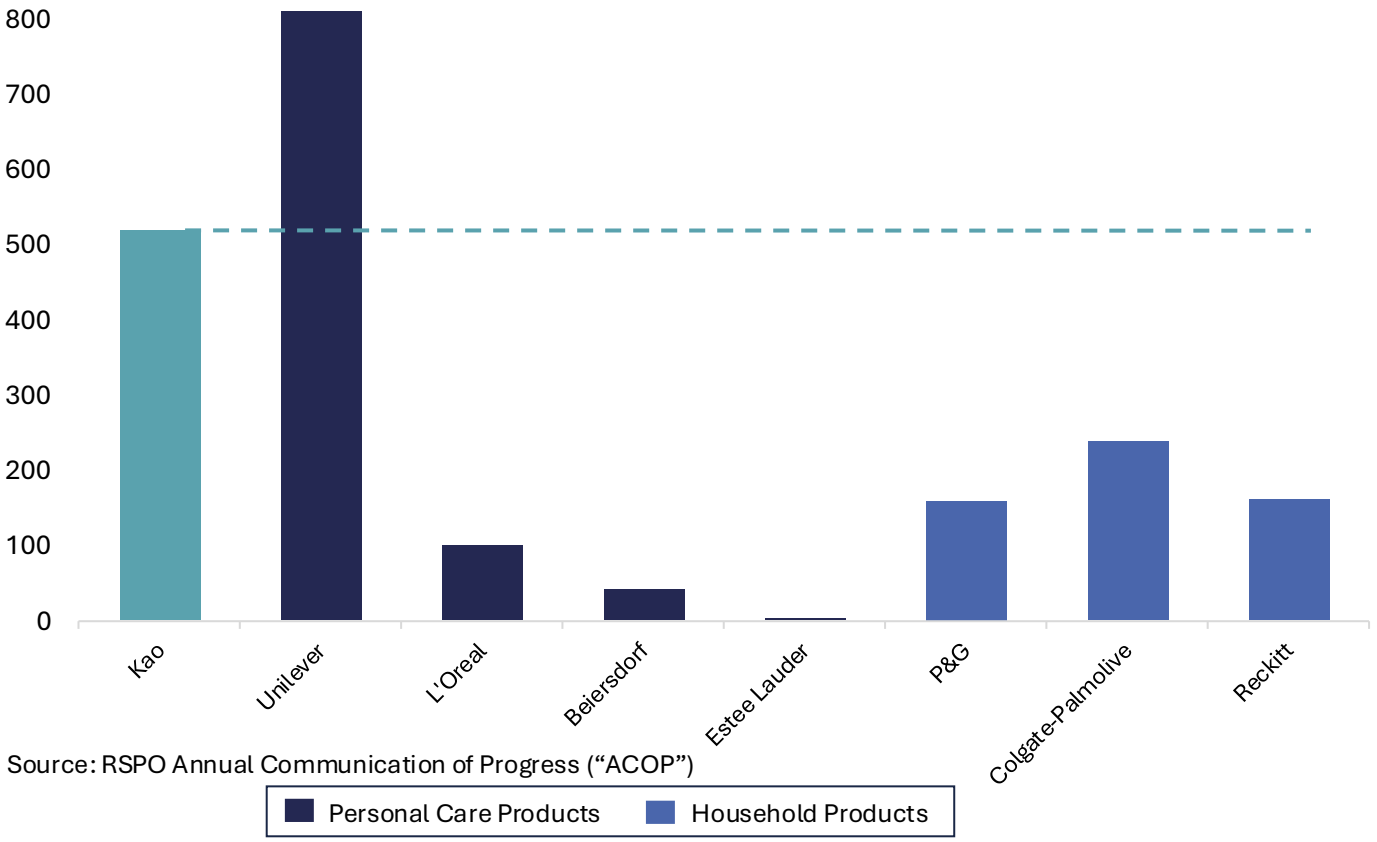
As part of their statements published on 19 March 2026, Kao appealed that requirements for the use of raw materials precluded comparison with certain other palm oil intensive companies. However, Oasis commissioned research has established questions around **severe environmental and social controversies at Kao suppliers**, which should be held to **global, sector-agnostic standards**.

Kao is a Palm Oil Heavyweight

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Kao is one of the largest palm oil consumers in the Japanese market, and among global peers and its revenue is 100% dependent on the product.

Annual Palm Oil Procurement 2024 in Kilotonnes
(All Forms – Palm Oil and Palm Kernel Oil)



Source: RSPO Annual Communication of Progress ("ACOP")

Despite a significant difference in the scale of their operations, **Kao's palm oil consumption is nearer Unilever than other peers**; Unilever is considered the largest user of palm oil products globally.

This is largely down to Kao's 100% revenue dependence on Palm Oil which means **supply chain integrity is financially material**.

% of Revenue Dependent on Palm Oil	CDP
Kao	**100%**
Unilever	51-60%
P&G	51-60%
Estee Lauder	61-70%

Source: CDP; See Appendix for more information on CDP disclosure

Different Types of Palm Oil

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Although Kao sources a higher proportion of PKO relative to peers, its overall palm oil sourcing profile remains comparable.

Since both PO and PKO derive from the same palm fruit and carry the same supply chain risks, the same standards of risk management should apply to both.

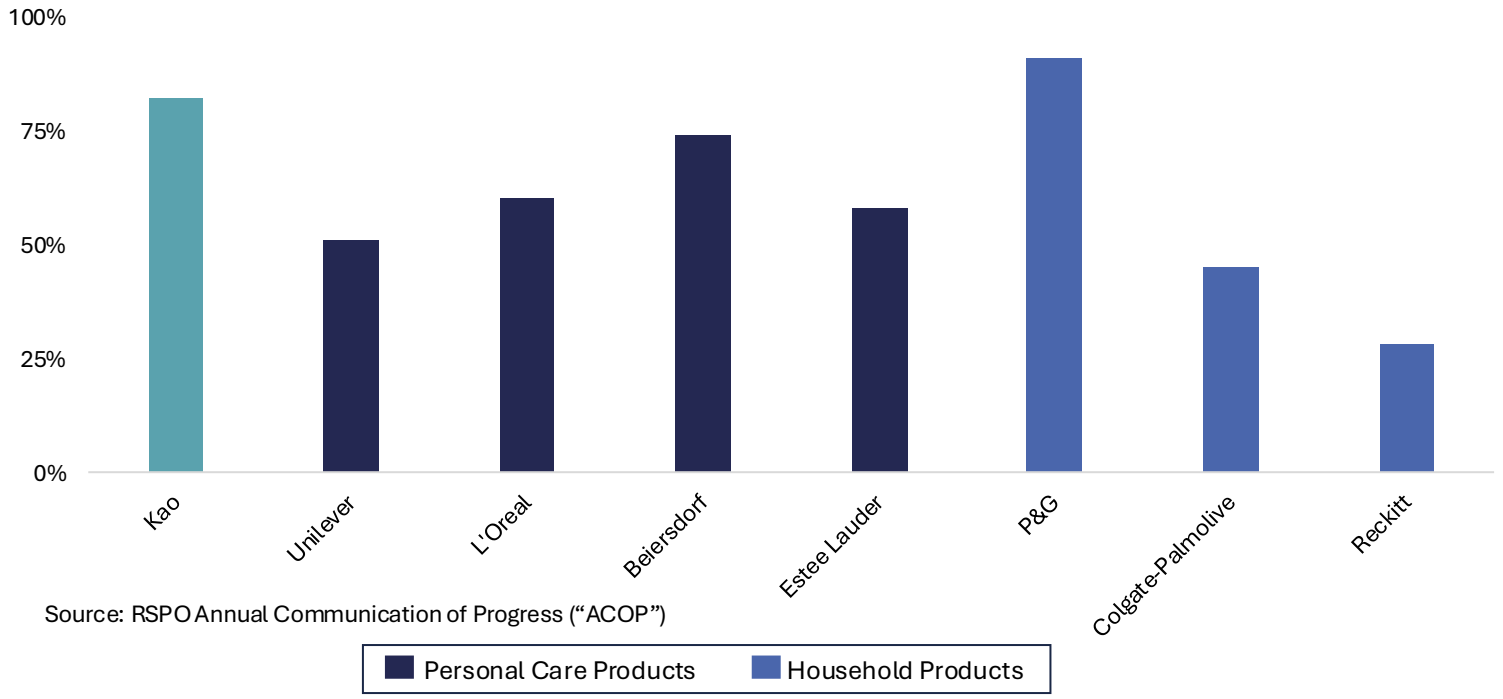


Palm Oil (PO) and Palm Kernel Oil (PKO)

- PO and PKO are extracted from oil palm fruit through different processes: PO is extracted from the fruit pulp, while PKO is the kernel (seed) inside the fruit.
- PO is mainly used in food products, while PKO is more common in soaps, detergents, cosmetics, and other oleochemicals.

Kao cited a PKO procurement figure of around 255,000 tons (3% of global supply) at its 2026 AGM, referencing its 2024 RSPO ACOP as the source. However, the actual figures in that same ACOP are significantly higher - meaning Kao's stated figure contradicts its own cited source.

PKO Exposure (% of Total Palm Oil Procurement, 2024)
(Includes PKO and derivatives ONLY)



Source: RSPO Annual Communication of Progress ("ACOP")

Kao's PKO exposure (~82%) falls within the peer range, reinforcing that comparable sourcing practices expectations apply.

Why Care About Palm Oil?

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Palm oil has contributed to deforestation and triggered land conflicts and human rights abuses. The negative social impact le d to the Roundtable on Sustainable Palm Oil (RSPO) to encourage sustainable palm oil product sourcing.

83% of palm oil is produced by Malaysia and Indonesia and the volume of palm oil produced continues to increase to follow demand (Source).



Palm oil has contributed to deforestation and triggered land conflicts and human rights abuses

RSPO is a certification standard for plantations and mills.

It operates as a multi-stakeholder non-profit, bringing together growers, NGOs, and global brands to define and enforce the global standard for Certified Sustainable Palm Oil (CSPO)

*"Irresponsible production of palm oil has **damaging environmental and social effects** – forests have been cleared or **destroyed to grow palm oil, harming natural habitats, vulnerable flora and fauna, as well as local communities**. Many farmers and laborers producing palm oil amidst unsustainable conditions have suffered from **unfair labor practices and low pay**". - RSPO*

While sourcing from Indonesia and Malaysia is standard across the industry, companies can mitigate exposure to risk through supplier controls and responsible sourcing practices, supported by frameworks such as RSPO.

Investors View this as Important

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Investors recognize the **sustainability-related risks** associated with palm oil and the **material impact** these may have. They outline that investors should play a role in pushing for more sustainable practices in the palm oil supply chain.

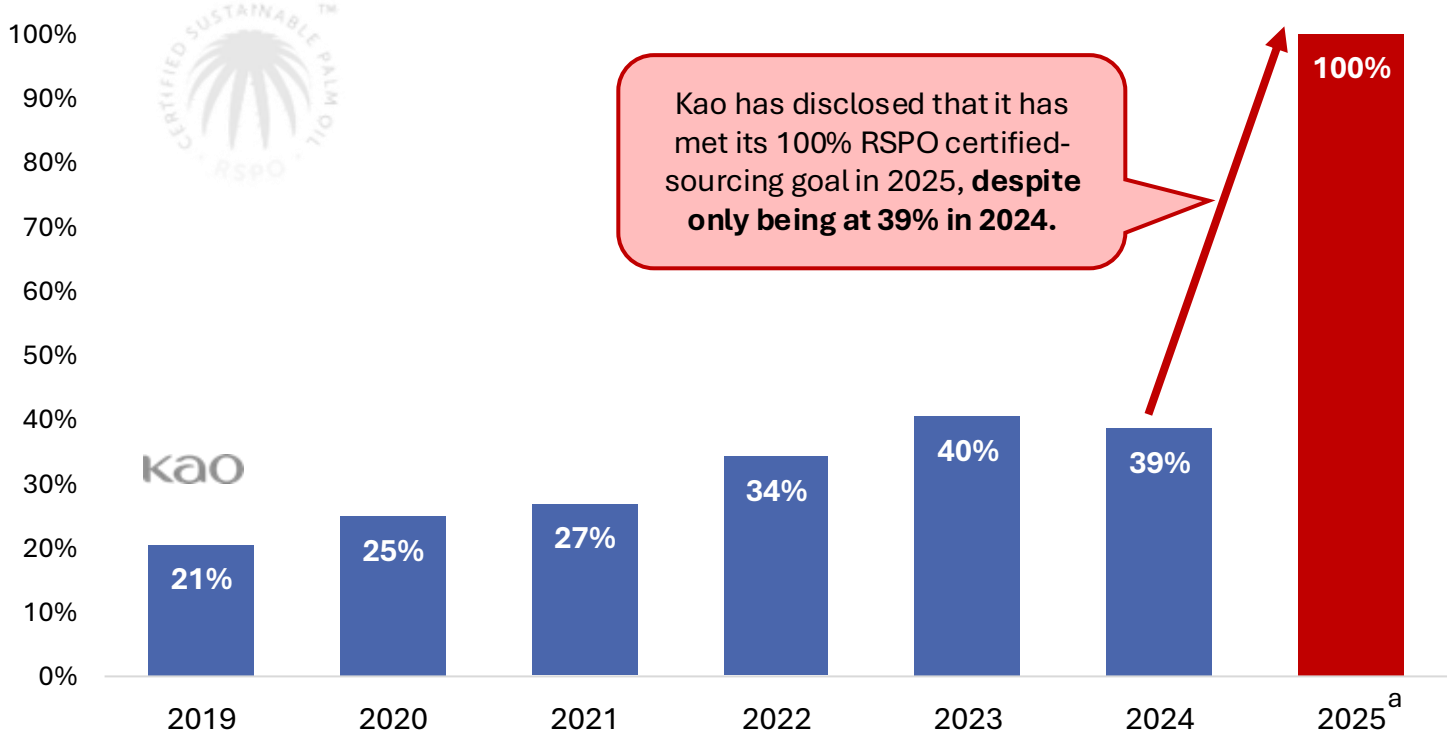
BlackRock (Source)	*"**[Palm oil's]** production is associated with **several potential risks**, including those related to **deforestation, climate change and biodiversity loss, as well as disputed land use, labor-related issues, bribery and corruption**. These risks have the potential to **impact companies' ability to deliver strong, long-term performance in light of rising regulatory expectations and growing customer demand**, particularly in the West, for sustainably produced palm oil."*
NOMURA (Source)	*"As demand for **palm oil** increases worldwide, problems such as the **deforestation of tropical forests and peat swamp forests and the loss of biodiversity** have emerged."*
Fidelity INTERNATIONAL (Source)	*"Deforestation has long been a focus of our engagements. Fidelity has run a **thematic engagement on palm oil** since 2019, advocating for an end to tropical deforestation."*
Schroders (Source)	*"Ultimately, palm oil as a commodity is not the problem – it's the way it is farmed, including land clearance. **It is possible to produce palm oil sustainably**, without further environmental damage, and **this is what we should be demanding**"*
Federated Hermes (Source)	*"Palm oil can be grown sustainably. To realise this goal, we will **need to engage extensively with companies involved in the palm oil supply chain**"*

Rapid Increase of RSPO Uptake

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Kao has moved from low levels of RSPO-certified sourcing to a reported 100% in 2025. How has Kao achieved the rapid increase from 39% RSPO certified to 100% in one year, and what is the underlying quality of that sourcing?

Kao's RSPO Palm As % of Total Procurement



Source: RSPO Annual Communication of Progress ("ACOP"); (a): Self-reported

Despite stating 100% RSPO compliance, Kao also acknowledges that certification is not sufficient to address palm oil risks:

"The Company recognizes that, in addressing [palm oil] risks, reliance solely on certification schemes is insufficient, and that direct engagement on the ground and the establishment of accessible mechanisms are essential."

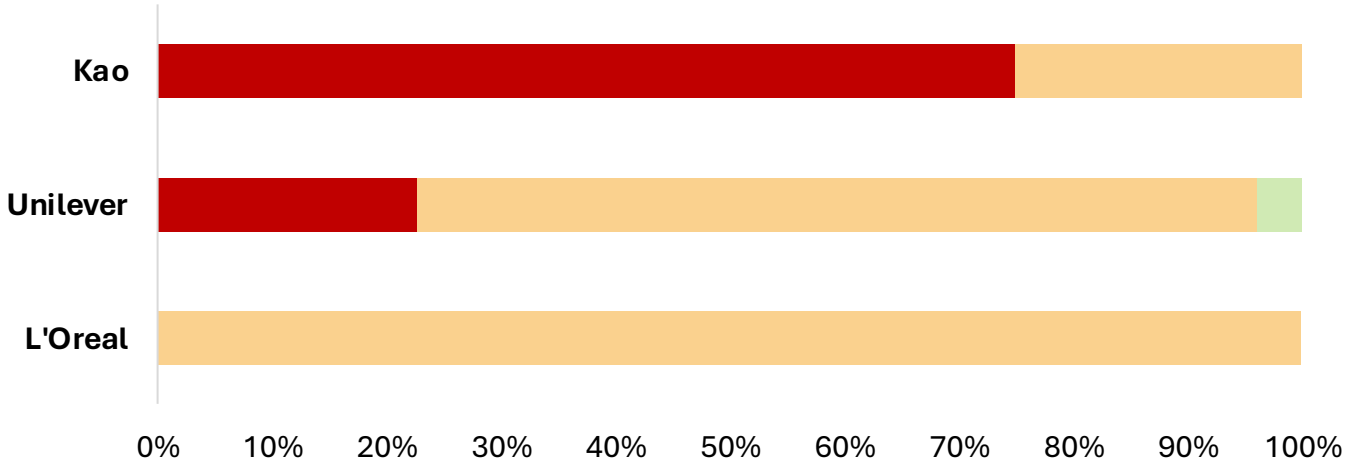
Kao's Response to the Shareholder Proposal, March 27, 2026

RSPO Sourcing Skewed Low-Grade

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Kao's RSPO uptake has been driven primarily by "Book and Claim" credits, which provide limited supply chain traceability. Kao's reported 100% RSPO sourcing reflects reliance on lower-quality certification mechanisms.

RSPO Breakdown (2024)



Source: RSPO Annual Communication of Progress ("ACOP")

Fully-Certified - Identity Preserved (IP) and Segregated: 100% certified origin.

Partially-Certified - Mass Balance (mixed certified and non-certified).

"Book & Claim" (Credits) - Buyers purchase non-compliant oil but pay mills or farmers directly for existing RSPO compliance elsewhere.

While Kao has increased its RSPO uptake, the quality of its sourcing remains a concern.

- In 2024, most of Kao's RSPO oil was sourced through "Book and Claim" credits, which provides **limited supply chain traceability**.
- Kao has indicated it has reached 100% RSPO-certified sourcing in 2025; however this shift represents **continued reliance on book and claim mechanisms.**
- This contrasts with peers, which predominantly source partially-or fully-certified oil
- As of its 2H 2025 mill list, Kao maintains **significant relationships with suppliers that are not RSPO-certified.**

In 2025, Book and Claim accounted for 88% of Kao's RSPO-certified palm oil volume.

Source

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Materiality of the Risk

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Why Is This Material?

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Exposure to high-risk suppliers in the palm oil supply chain, as well as inadequate oversight mechanisms, may expose Kao to several risks with significant implications.

1

Reputational Risks

Consumers may boycott products due to controversies in the supply chain.

2

Operational Risks

Inadequate oversight of supply chain risks may lead to operational disruptions.

3

Regulatory Risks

High-risk suppliers may expose the company to regulatory fines or product bans.

Risk to Corporate Value

All these risks have financial implications that could significantly impact Kao's corporate value.



Oasis Management is a proud signatory of the Japan Stewardship Code and seeks to protect the value of its investments in line with the representations made in our statement on the Code, which can be found HERE.

1. Reputational Risk

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Kao itself estimates that reputational concerns around palm-oil sourcing could negatively impact revenue by ¥111.3B

Kao's sales in the consumer products business totaled 1,210.3 billion yen. Of this amount, the Health & Beauty Care Business, which handles many products with active ingredients derived from palm oil, and Fabric & Home Care Products generate 742.0 billion yen in sales. These businesses account for about 61% of sales, and about 60% of consumers rely on word of mouth on social networking sites and other media, including negative campaigns, when purchasing daily necessities such as laundry detergent. Kao estimates that 25% of consumers will change their sales behavior when exposed to this information. If the reputational risk associated with palm oil procurement is revealed and sales decrease by 25% as a result, the annual negative impact would be 111.3 billion yen (742 billion yen x 60% x 25%). The financial impact of this risk may materialize within a year, given the actual negative campaign as described in the company-specific explanations. We recognize that this risk could occur at any time at this time.

Source: Kao CDP Report 2024

Existing consumer research also highlights sensitivity to ESG issues:

J.P.Morgan Asset Management

*"**Responsible procurement is increasingly important for producers of consumer goods** as buyers' behaviors have evolved. Many surveys indicate that more consumers, particularly those in developed markets such as North America and Europe, want to know the origin of their products. **Consumers are now more willing to compromise on price and convenience of purchase to ensure that the products they buy are ethically sourced and produced**."*

KPMG

54%

of consumers say they would **stop buying** from a company if it **misled them about sustainability claims**

1. Reputational Risk

protect kao

Reputational risks can trigger customer boycotts and erode brand equity, ultimately presenting a significant risk to revenue.



- In March 2010, Greenpeace released a viral video showing an office worker biting into an orangutan finger instead of a Kit Kat bar, targeting Nestlé's palm oil sourcing.
- **Kit Kat's brand equity and consumer sentiment collapsed.**
- Sentiment began recovering **only after Nestlé committed to third-party supply chain auditing in May 2010** (Source).
- A full recovery in sentiment scores took six months (Source).



- Two US class action lawsuits have alleged Mondelez claims of "100% sustainably sourced cocoa" are false advertising and greenwashing. Instead, the lawsuit alleges that its supply chain is linked to **child labor and deforestation** (Source).
- In both 2023 and 2024, shareholders tabled a **motion for the Company to adopt targets and publicly report quantitative metrics** appropriate to assessing whether it is on course to eradicate child labor from its cocoa supply chain by 2025. Both proposals received considerable support.

2. Operational Risk

protect kao

When production of Kao's leading products are disrupted by lack of supply or supply headwinds, this can significantly impact revenue, particularly with Kao's high exposure to high-risk suppliers.

Risks

1	**Supply Instability**	Events such as protests from local communities can cause supply disruptions. This risk may be exacerbated by suppliers with weak governance systems.
2	**Production Delays**	As a result of unstable supply, disruptions to the manufacturing process may occur.
3	**Product Recalls**	Inadequate oversight of suppliers increases the risk of product contamination, leading to product recalls.

Materiality for Kao

- High-risk suppliers **represent a significant share of Kao's palm oil sourcing**, elevating Kao's operational risks (see Slide 53).
- With **100% of Kao's revenue reliant on palm oil,** supply chain disruptions could **materially impact revenues.**

3. Regulatory Risk Could Affect K27 Growth

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Kao's growth strategy increasingly relies on markets with strict supply-chain regulation (EU and US). Failure to address supply-chain risks could affect Kao's ability to grow in highly regulated markets.



Phased in from December 2026; applies to palm oil, timber and related products

Requires full traceability to plot of land and proof of deforestation-free sourcing

Non-compliant products banned from EU market; fines up to 4% of EU-wide turnover



Goes into force in 2027 and **bans products made with forced labor from being sold on, imported into, or exported from the EU market - at any stage of the supply chain.**

Investigations led by national authorities and the European Commission can order withdrawal and disposal of non-compliant goods.



US Customs and Border Protection (CBP) has reviewed 16,700+ shipments worth c.$3.7bn, with enforcement surging to 6,636 detentions in H1 2025.

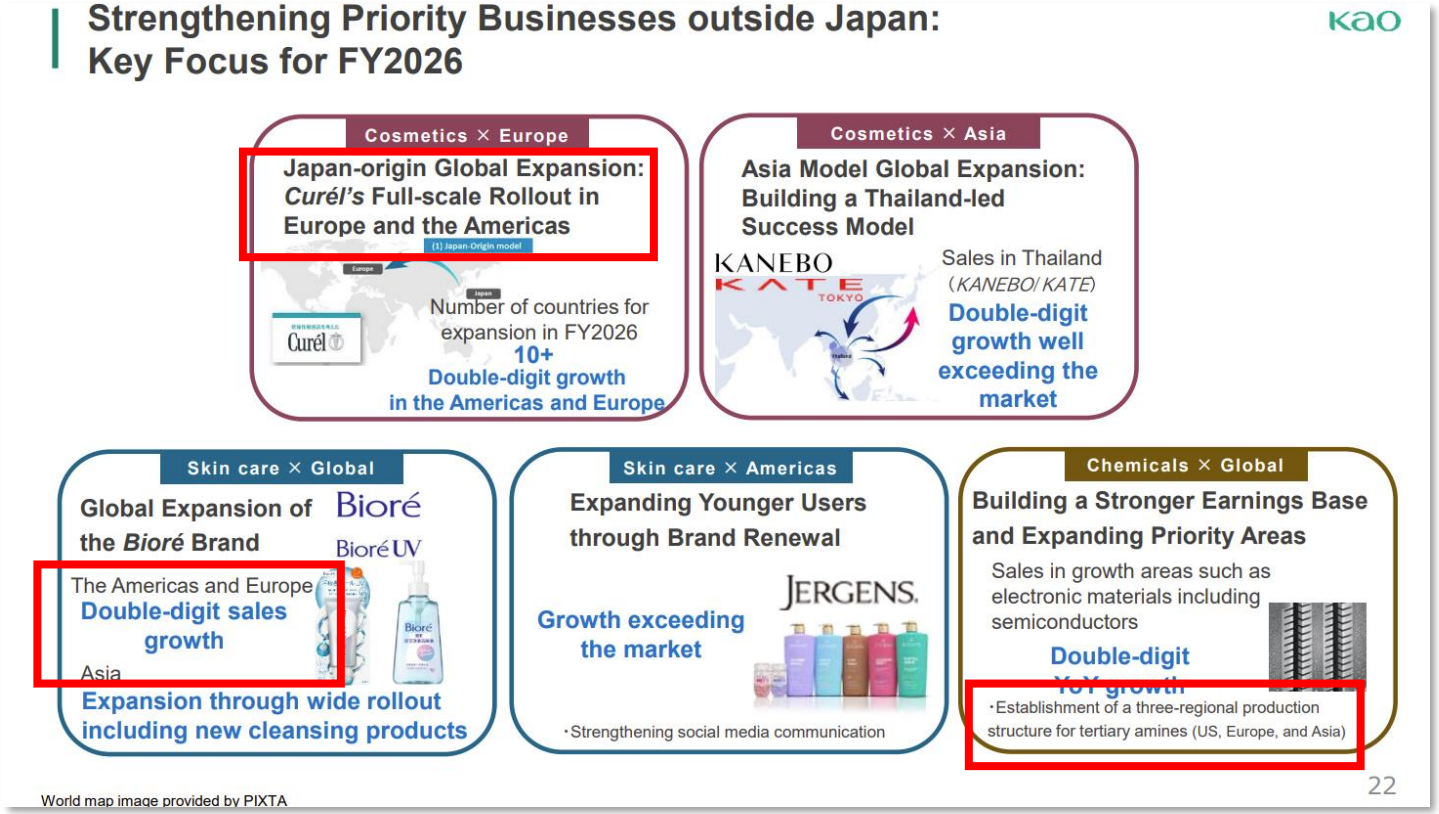
FGV palm oil was hit by a CBP forced labor order in 2020, yet Kao made them a major supplier in 2024. CBP only lifted its order in Jan. 2026.

Can Kao confirm that all palm-oil suppliers currently comply with EU deforestation and forced-labor regulations and regulatory action applicable to products sold in the EU and US?

3. Regulatory Risk Could Affect K27 Growth

protect kao

Kao's growth strategy increasingly relies on markets with strict supply-chain regulation (EU and US). Failure to address supply-chain risks could affect Kao's ability to grow in highly regulated markets.



Consolidated Financial Results for the Year Ended December 31, 2025 and FY2026 Forecast

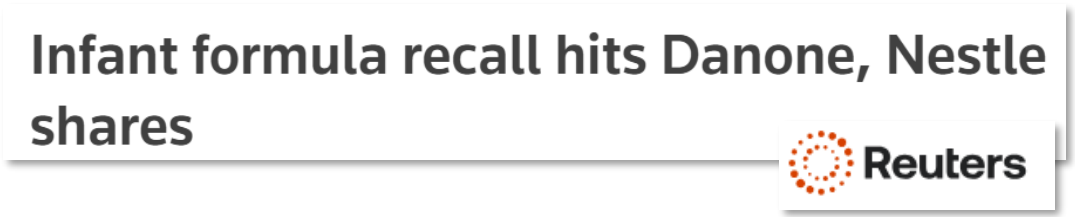
Impact on Corporate Value – Risk Overhang

protect kao

Recent examples highlight significant corporate value impacts that can arise from sustainability-related controversies, as companies' share price – a fundamental indicator of corporate value – reflect a risk overhang.

- Danone as well as Nestle recently experienced **significant drops in share price** after both companies had to recall infant formula over fears it had been contaminated by a toxin.
- Both companies are believed to have sourced the contaminated ingredient from the same upstream supplier, raising questions over **supply chain oversight** (Source).
- The long-term impacts of potential consumer mistrust following this incident are yet to be fully realized. According to estimates by Barclays, the **overall losses could amount to around $100 million for Danone and $1 billion for Nestle.**





All images contain hyperlinks

Risk to Corporate Value – ESG Ratings

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If the extent of supply chain issues were apparent to ESG Ratings firms, Kao may be excluded from ESG indices.

Supplier allegations

Environmental and human rights allegations involving suppliers may influence ESG controversy assessments if reflected in public reporting.

Ratings methodology

ESG rating agencies such as MSCI incorporate public controversy assessments into company ratings.

Current rating

Kao currently maintains a strong MSCI ESG rating based on available public information and current controversy assessments (see below).

Potential rating impact

If supplier controversies are reflected in ESG controversy assessments, Kao's Raw Material Sourcing score could **decline by ~0.4–5 points.**

MSCI

Downgraded MSCI Rating

Kao's downgraded MSCI ESG Rating in March 2026 suggests rating pressure, particularly due to Business Ethics Concerns and the Raw Material Sourcing indicator.

	Prior Score	New Score
Overall Rating	**AA**	**A**
Industry Adjusted Score	**7.3**	**6.5**
Business Ethics	**5.9**	**4.1**
Raw Material Sourcing Score	**6.9**	**5.4**

"Kao's business ethics practices now lag those of global peers, per our model…Kao's business ethics framework appears to lack audits of ethical standards"

– MSCI Kao ESG Ratings Report, March 2026

Risk to Corporate Value – ESG Ratings

protect kao

If the extent of supply chain issues were apparent to ESG Ratings firms, Kao may be excluded from ESG indices. Below are the funds that include MSCI in their name indicating a holding decrease may come from an MSCI downgrade or reported controversy.

Institution	Fund	Kao Holding
BlackRock	iShares Core **MSCI** EAFE ETF	*0.63%*
BlackRock	iShares **MSCI** Japan ETF	*0.36%*
BlackRock	iShares Tr. - **MSCI** EAFE ETF	*0.33%*
UBS Asset Management	UBS (Lux) Fund Solutions - **MSCI** Japan UCITS ETF	*0.11%*
UBS Asset Management	UBS (Lux) Fund Solutions - **MSCI** Pacific Soc. Resp. UCITS ETF	*0.06%*
UBS Asset Management	UBS - **MSCI** Japan Socially Responsible UCITS ETF	*0.06%*
DWS Investment GmbH	Xtrackers (IE) Plc - **MSCI** Japan ESG UCITS ETF	*0.11%*
DWS Investment GmbH	Xtrackers SICAV - **MSCI** Japan UCITS ETF	*0.08%*
Amundi Asset Management	Multi Units Luxembourg - Amundi **MSCI** Japan	*0.11%*
Amundi Asset Management	Amundi Index Solutions - **MSCI** Japan ESG Climate Net Zero Amb.	*0.03%*
HSBC Global Asset Management	HSBC ETFs Plc - **MSCI** World UCITS ETF	*0.02%*
BNP Paribas Asset Management	BNP Paribas Easy - **MSCI** Japan ESG Filtered Min TE	*0.05%*
DWS Investment Management Americas	Xtrackers **MSCI** EAFE Hedged Equity ETF	*0.04%*
DWS Investment Management Americas	Xtrackers **MSCI** Japan Hedged Equity ETF	*0.01%*
DWS Investment Management Americas	Xtrackers **MSCI** EAFE ESG Leaders Equity ETF	*<0.01%*
Swisscanto Asset Management	Swisscanto (CH) IPF III - Index Eq. Fd. **MSCI** World ex-Switz	*0.01%*
BMO Global Asset Management	BMO **MSCI** EAFE Index ETF	*0.04%*
BMO Global Asset Management	BMO **MSCI** EAFE ESG Leaders Index ETF	*<0.01%*
Global X Management	Global X (Japan) Global X **MSCI** Governance-Quality Japan (2636)	*<0.01%*
Global X Management	Global X (Japan) Global X **MSCI** Japan Climate Change ETF (2848)	*<0.01%*

UBS Asset Management

*The indices incorporate the MSCI ESG Controversies score, **screening out on a timely basis any issuers in significant breach of ESG norms**.*

Source

Amundi ASSET MANAGEMENT

*The Index **excludes companies whose products have negative social or environmental impacts**, while overweighting companies with strong ESG Score.*

Source

Key Questions

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- To what extent are **reputational risks** from supply-chain controversies **identified, escalated, and addressed** within Kao's risk management processes?
- To what extent does Kao **assess and mitigate operational disruptions** caused by supply-chain instability or supplier governance failures?
- Can Kao confirm that all palm-oil suppliers currently **comply with EU deforestation and forced-labor regulations and regulatory action applicable to products sold in the EU and US?**
- To what extent has **Kao disclosed sufficient information for stakeholders to assess the extent of palm-oil-related reputational-linked financial risks** and the effectiveness of current mitigation mechanisms?

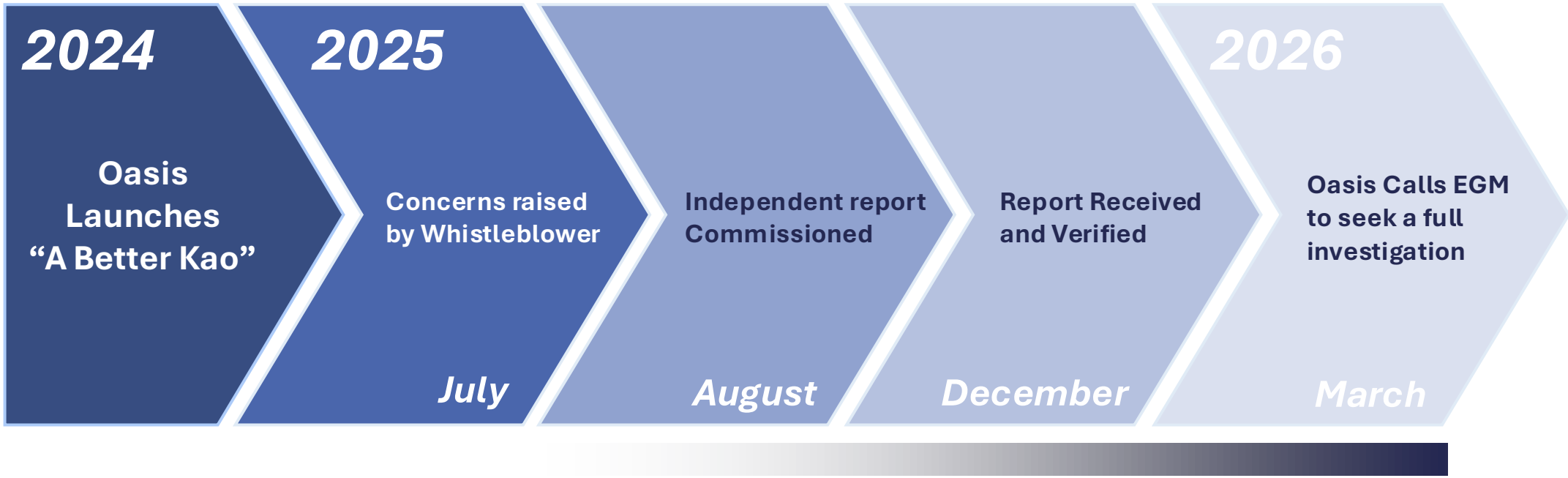
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Supply Chain Risk Concerns

OASIS

Oasis' Timeline

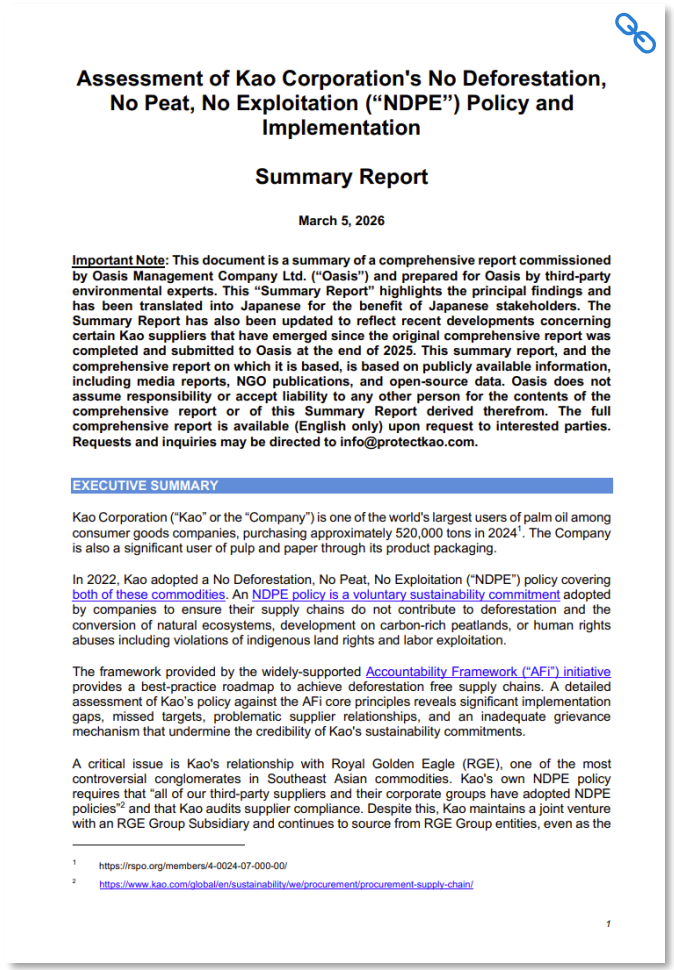
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In this time, Oasis sought to engage with Kao to better understand the approach to sustainability risk in the supply chain but faced difficulty

On 19 March 2026, Kao responded to the information disclosed by Oasis with a short statement reiterating their public stance on risk management. Kao further published information regarding the EGM proposal within the Notice of Meeting.

Oasis-Commissioned Report



Assessment of Kao Corporation's No Deforestation, No Peat, No Exploitation ("NDPE") Policy and Implementation

Summary Report

March 5, 2026

Important Note: This document is a summary of a comprehensive report commissioned by Oasis Management Company Ltd. ("Oasis") and prepared for Oasis by third-party environmental experts. This "Summary Report" highlights the principal findings and has been translated into Japanese for the benefit of Japanese stakeholders. The Summary Report has also been updated to reflect recent developments concerning certain Kao suppliers that have emerged since the original comprehensive report was completed and submitted to Oasis at the end of 2025. This summary report, and the comprehensive report on which it is based, is based on publicly available information, including media reports, NGO publications, and open-source data. Oasis does not assume responsibility or accept liability to any other person for the contents of the comprehensive report or of this Summary Report derived therefrom. The full comprehensive report is available (English only) upon request to interested parties. Requests and inquiries may be directed to info@protectkao.com.

EXECUTIVE SUMMARY

Kao Corporation ("Kao" or the "Company") is one of the world's largest users of palm oil among consumer goods companies, purchasing approximately 520,000 tons in 2024[1]. The Company is also a significant user of pulp and paper through its product packaging.

In 2022, Kao adopted a No Deforestation, No Peat, No Exploitation ("NDPE") policy covering both of these commodities. An NDPE policy is a voluntary sustainability commitment adopted by companies to ensure their supply chains do not contribute to deforestation and the conversion of natural ecosystems, development on carbon-rich peatlands, or human rights abuses including violations of indigenous land rights and labor exploitation.

The framework provided by the widely-supported Accountability Framework ("AFi") initiative provides a best-practice roadmap to achieve deforestation free supply chains. A detailed assessment of Kao's policy against the AFi core principles reveals significant implementation gaps, missed targets, problematic supplier relationships, and an inadequate grievance mechanism that undermine the credibility of Kao's sustainability commitments.

A critical issue is Kao's relationship with Royal Golden Eagle (RGE), one of the most controversial conglomerates in Southeast Asian commodities. Kao's own NDPE policy requires that "all of our third-party suppliers and their corporate groups have adopted NDPE policies"[2] and that Kao audits supplier compliance. Despite this, Kao maintains a joint venture with an RGE Group Subsidiary and continues to source from RGE Group entities, even as the

[1] https://rspo.org/members/4-0024-07-000-00/

[2] https://www.kao.com/global/en/sustainability/we/procurement/procurement-supply-chain/

1

Purpose:

Oasis commissioned a report into the allegations made by a whistleblower of serious supply chain risk management failures centered around human rights abuses and sustainability issues.

This was done with the aim to fill knowledge gaps we had, understanding that the issue was material, but we required supplementary expertise to understand the extent of risk.

Scope:

The report provided an assessment of Kao's *No Deforestation, No Peat, No Exploitation ("NDPE") Policy* and implementation.

Sources:

The Report was prepared using public information and disclosures.

Scope of Report - NDPE Policy

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Kao has had an explicit NDPE policy commitment in place since at least 2022. NDPE implementation can be assessed using several publicly available monitoring and verification sources, which defined the scope of the commissioned research.

NDPE | No Deforestation, No Peat, No Exploitation

A **corporate policy commitment** that mandates ethical production across the **ENTIRE supply chain**, focusing on forest and wetland conservation, and human rights.

NDPE commitments **typically require companies to:**

- Trace supply chains to mills and plantations
- Monitor suppliers for deforestation and human rights risks
- Investigate grievances and suspend non-compliant suppliers
- Disclose progress and compliance transparently.

NDPE implementation can be assessed using several publicly available monitoring and verification sources.

		In Scope of Research
Grievance Lists	Public logs where companies track and resolve affected parties' complaints	✓
Satellite Monitoring	To detect real-time deforestation	✓
Supplier & Mill Lists	Identify sourcing relationships and exposure to high-risk suppliers	✓
NDPE Implementation Reporting Framework*	A reporting tool to consistently track progress	✗

*Kao does publish a survey on implementation of its NDPE policy, but it is not aligned with the official reporting framework

Limitations Based on Disclosure

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Information asymmetry relating to risk management is evident. Even with forensic research much of the information required to assess NDPE Policy breaches are hidden; this is exacerbated by shortfalls in Kao's disclosure versus peers.

		Kao Disclosure vs. Peers*	Internal Information
Practice	Palm Oil Mill List	✓	✓
	Known Supplier Controversies	×	✓
Controls	Policies	✓	✓
	Supplier Due Diligence Processes	~	✓
	Grievance List	~	✓
	Risk Management Processes	~	✓
Implementation	Supplier Due Diligence Outcomes	×	✓
	Investigations and Remediation Actions	×	✓
	Scope and Outcomes of Internal Audits	~	✓
	Monitoring of Adherence to Policies	~	✓

The limited scope and content of **Kao's palm oil grievance list** imposes a limitation on public interrogation of its supply chain risk management.

Information necessary to assess real supply chain risk, including due diligence, investigations, and remediation, is largely unavailable to investors.

✓ Fully Transparent X Not Transparent ~ Partially Transparent

*Peers analyzed: Unilever, Colgate-Palmolive, L'Oreal

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(I) Problematic Supplier Relationships

OASIS

Kao's Use of Problematic Suppliers

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Kao is linked to several high-risk suppliers that have been tied to allegations of egregious human rights abuses and/or deforestation.

1. **RGE**

RGE subsidiary, APRIL, has been accused of **violent attacks on indigenous community members** in North Sumatra, Indonesia, as recently as September 2025. However, Kao has **invested in a Joint Venture** with a subsidiary of RGE, increasing reputation risks. More details on slide 43.

2. **AAL**

AAL has been linked to **human rights abuses** such as violent land grabbing as well as **illegal deforestation**. While key peers and major investors have taken action, Kao has consistently **increased exposure** following the issuing of public reports outlining allegations relating to AAL. More details from slide 46.

3. **FGV**

FGV has been **accused of slave and child labor**. From 2020 to January 2026, it was under a US withhold release order ("WRO"). Kao started supplying from FGV **while it was still under WRO** and while several peers had suspended FGV from their supply chains. More details from slide 50.

4. **PT ATAK**

PT ATAK has been linked to using **illegally grown palm oil** from inside the protected Rawa Singkil Wildlife Reserve. Key peers suspended the mill, while Kao **began sourcing from it after the publication** of a third-party report outlining the allegations. More details on slide 52.

See Slide 56 and the Research Report for a full list of problematic suppliers

1 High Risk Supplier #1: RGE (1/3)

protect kao

Kao has close ties with Royal Golden Eagle ("RGE") through a joint venture with RGE subsidiary, Apical. In their paper and pulp supply chains, RGE subsidiaries have faced serious allegations regarding deforestation and human rights.

Kao operates a **joint venture with the RGE subsidiary Apical**, PT Apical Kao Chemicals (65% Apical; 35% Kao). The joint venture focuses on the manufacturing of fatty acids (Source).

RGE subsidiaries have been involved in severe controversies. For instance, its pulp/paper subsidiary **APRIL** has previously been linked to **large-scale deforestation** and was linked **allegations of attacks on community members in North Sumatra, Indonesia** as recently as 2025 (Source).

This has resulted in the certification body, the Forest Stewardship Council ("FSC"), suspending its MoU with APRIL, which had been implemented in 2023 as part of its remedy process following APRIL's suspension by the FSC a decade prior (Source).

Kao's Relationship with Controversial Supplier RGE





Current Kao board director, group CFO, former head of Chemical division and SVP for procurement ***Masakazu Negoro*** *at the Kao Apical JV opening and with Apical CEO/President Yeo How*

Has Kao considered the risks it is exposed to as a result of its joint venture with Apical?
How did Kao engage with RGE over the controversies it faced?

1 High Risk Supplier #1: RGE (2/3)

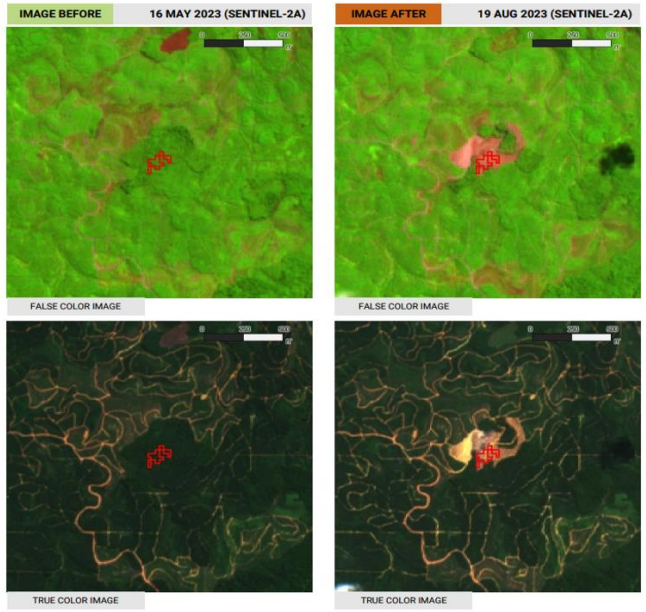
protect kao

Kao has close ties with Royal Golden Eagle ("RGE") through a joint venture with RGE subsidiary, Apical. In their paper and pulp supply chains, RGE subsidiaries have faced serious allegations regarding deforestation and human rights.

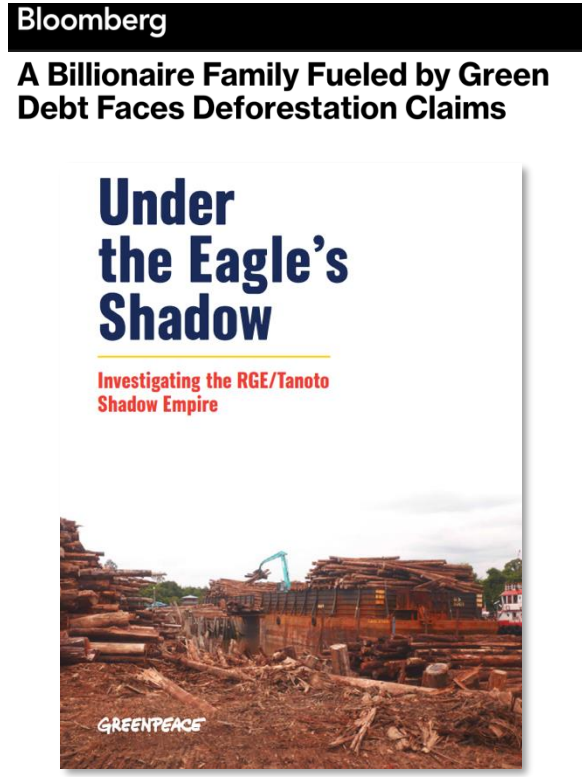
2024 reporting by Bloomberg and a 2025 investigation by Greenpeace **allege that RGE operates a network of "shadow companies"** to hide ownership and bypass environmental standards in the palm oil and pulp/paper sectors. Several of these alleged shadow companies **appear in Kao's mill lists**, with many linked to deforestation*.

On the right-hand side, satellite monitoring shows that PT. Aditya Agroindo, one of the mills Kao supplies from, has been involved in deforestation while Kao has been supplying from them (Source)

*The number of mills within Kao's latest mill list associated with RGE shadow companies is 88. Beiersdorf include 51, however, neither Unilever and Colgate Palmolive have any.



Satellite Images from Sentinel-2A showing company driven forest loss inside PT. Aditya Agrindo between May-August 2023.



Has Kao's satellite monitoring picked up deforestation linked to the palm oil mills it sources from? If not, why not?

1 High Risk Supplier #1: RGE (3/3)

protect kao

Kao has close ties with Royal Golden Eagle ("RGE") through a joint venture with RGE subsidiary, Apical. In their paper and pulp supply chains, RGE subsidiaries have faced serious allegations regarding deforestation and human rights.

Kao's NDPE policy applies to all third-party suppliers, **including their corporate groups** following the definition from the Accountability Framework initiative (Source).

Therefore, through its close relationship with Apical, **it is also tied to the wider RGE group and the problematic practices of its subsidiaries. Kao's decision to invest into a Joint Venture with a subsidiary of RGE introduces two risks:**

1. Since the paper and pulp supply chain is subject to even less transparency than palm oil, there is a risk that Kao is using problematic suppliers such as APRIL. However, Kao's connection to RGE through Apical means it is in **breach of its NDPE policy** regardless.

2. Entering into business partnerships with RGE increases **reputation risk** should issues, such as at APRIL, emerge elsewhere in the group.

Kao's RGE Claims Fail to Address Concerns

Kao claims its JV with Apical strengthens its influence over RGE…

… however, continued **RGE controversies post-JV suggest either limited oversight or overreliance on management assurances to assess risk.**

Kao stated at its 2026 AGM that it has requested RGE to investigate the claims against it further…

… suggesting a potential **due diligence oversight** since Kao should have investigated RGE thoroughly.

? **Why did Kao's "due diligence" not entail an investigation of RGE until this moment?**

2 High Risk Supplier #2: AAL (1/4)

protect kao

Astra Agro Lestari ("AAL") was Kao's ninth largest palm oil mill group partner according to its latest mill list (2H 2025)*.
AAL is accused of violent land grabbing and illegal deforestation by NGOs and several UN Special Rapporteurs.

AAL is the second largest palm oil company in Indonesia and a subsidiary of PT Astra International Tbk., which is in turn a portfolio company of Jardine Cycle & Carriage, an investment holding company majority-owned by Hong Kong-based Jardine Matheson. Although it is undergoing the process to become an RSPO member, **it is not currently RSPO-certified** (Source).

2022

Friends of the Earth and WALHI released a report alleging that several subsidiaries of the palm oil giant AAL were involved in **severe controversies, including violent land grabbing** in Central and West Sulawesi, Indonesia.

2024

Following the report by Friends of the Earth and WALHI, several **UN Special Rapporteurs** released a report expressing concern for the allegations outlined in the report as well as for reports of **alleged intimidation and criminalization** of environmental human rights defenders and Indigenous and community leaders.

The Report also noted that the action plan launched by AAL in 2024, **did not reflect the demands for remedy and redress** posited by the communities and Indigenous Peoples impacted by the actions of AAL and its subsidiaries.

*Kao recently stated that it has no (in)direct transactions with AAL, but its latest public mill list (H2 2025) includes AAL as one of its largest mill partners it is exposed to.

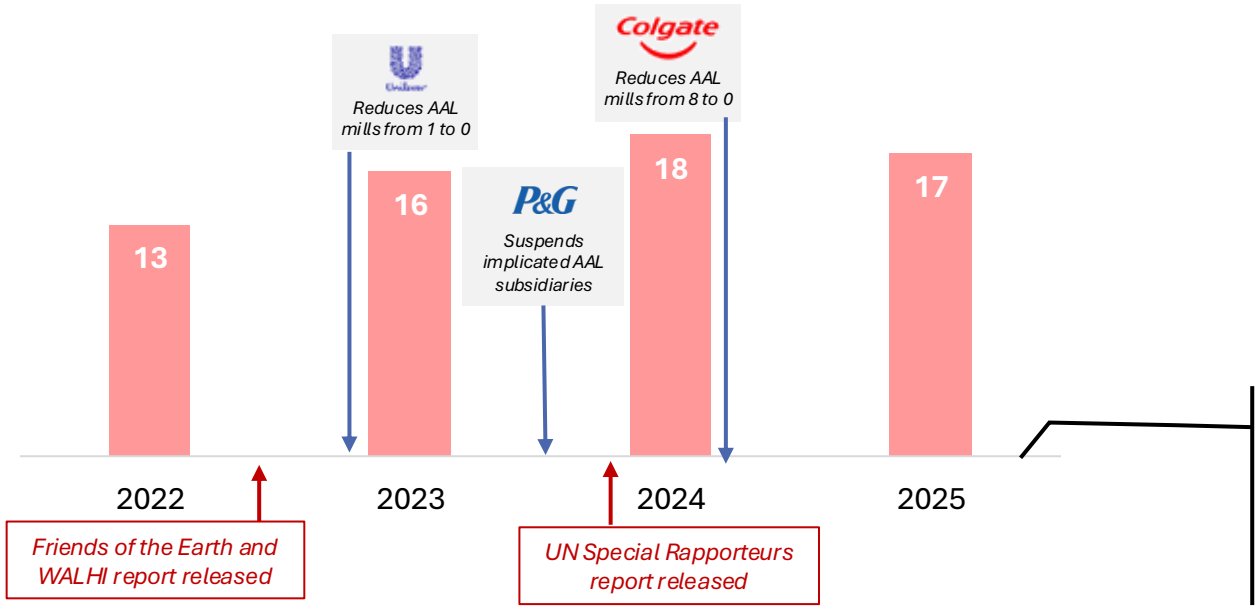
2 High Risk Supplier #2: AAL (2/4)

protect kao

Astra Agro Lestari ("AAL") was Kao's ninth largest palm oil mill group partner according to its latest mill list (2H 2025).
AAL is accused of violent land grabbing and illegal deforestation by NGOs and several UN Special Rapporteurs.

Mills linked to AAL listed in Kao's palm oil mill lists*

*Palm Oil Mill Lists are disclosed twice a year (1H and 2H) to show which mills have been sourced from. Yearly figures have excluded double counting between 1H to 2H.



kao

Kao appears to have increased its exposure to AAL despite growing concerns relating to alleged misconduct, including two separate reports from 2022 and 2024.

Kao recently stated that it has no (in)direct transactions with AAL but the frequency of AAL's inclusion in its mill lists seems to contradict this.

Kao addressed its relationship with AAL in May 2025 to the Business and Human Rights Centre. **Kao largely reiterates its monitoring and verification processes** as well as stating that Kao is *"in the process of confirming with the suppliers the latest situation regarding [AAL]"* but provides no further details (Source).

Can Kao confirm whether it has sourced from AAL while it was the subject of reports released by NGOs? Moreover, if it increased its exposure to AAL in this time?

2 High Risk Supplier #2: AAL (3/4)

protect kao

Astra Agro Lestari ("AAL") was Kao's ninth largest palm oil mill group partner according to its latest mill list (2H 2025).
AAL is accused of violent land grabbing and illegal deforestation by NGOs and several UN Special Rapporteurs.

Several of Kao's peers **suspended either the implicated AAL subsidiaries, or all AAL subsidiaries** as a result of the controversies.

P&G **Procter & Gamble, appointed an independent third-party to conduct an assessment of AAL in 2020 and requested its Tier 1 suppliers to suspend sourcing from AAL in 2020, 2023 and 2024.**

Date Grievance Received	Stakeholder(s) Raising Grievance	Parent Company/Owner	Subsidiary	Description of Grievance/Concerns	P&G External Business Partner (i.e., Tier 1 Supplier)	Current Status	Phase
Jun-24	Friends of the Earth (FOE)	PT Astra Agro Lestari	PT Agro Nusa Abadi (ANA), PT Mamuang, PT Letawa (PT LLT), PT Sawit Jaya Abadi and PT Rimbunan Alam Sentosa	Community Land Rights and Intimidation of Rights Holders, Human Rights Defenders	Musim Mas/ ICOF, KLK, GAR/ Sinar Mas	P&G has requested our Tier 1 suppliers to take steps to suspend purchasing of all palm oils from PT AAL effective December 2024. This is an extension of our previous suspension of five PT AAL subsidiaries: PT Mamuang, PT Agro Nusa Abadi (ANA), PT Lestari Tani Telada (PT LTT), PT Pasangkayu and PT Letawa in 2022-2023. Sep'25 update: Completed suspension of supply from Palm Oil and Palm Kernel Oil suppliers with known supply chain linkages.	Phase 3 - Remediate (Monitor + Report)
Aug-23	Peoples Letter	PT Astra Agro Lestari	PT Pasangkayu, PT Mamuang and PT Letawa	Community Land Rights	KLK	P&G has required Tier 1 suppliers to suspend from our supply chain the subsidiaries of PT AAL, specifically PT Pasangkayu, and PT Letawa. P&G's suspension of PT Mamuang remain in place.	Phase 3 - Remediate (Monitor + Report)
Oct-20	WALHI & Friends of the Earth	PT Astra Agro Lestari (PT AAL)	PT Mamuang, PT Lestari Tani Telada (LTT/TTL), PT Agro Nusa Abadi (ANA)	Land Seizure, Wages & Benefits	Wilmar, KLK, Apical/ AAA	P&G appointed an independent third party, EcoNusantara, to conduct a field assessment which was completed in June 2022. P&G has now required our Tier 1 suppliers to Suspend from our Supply Chain with immediate effect the subsidiaries of PT AAL, specifically PT Mamuang, PT Lestari Tani Telada (LTT), PT Agro Nusa Abadi. For P&G Executive Summary please see attachment to this document (on Grievance Tracker).	Phase 3 - Remediate (Monitor + Report)

Source: P&G Grievance Tracker

2 High Risk Supplier #2: AAL (4/4)

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Major investors have also taken action in response to the allegations against AAL

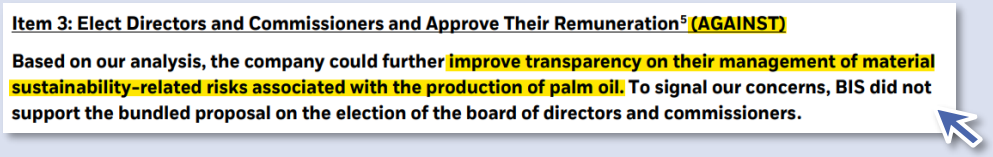
Norges Bank Investment Management

Norges Bank Investment Management **excluded all group companies** of AAL's parent companies from its flagship fund in 2024, citing the **"unacceptable risk"** associated with the company's links to **"severe environmental damage"**.


The Norges Bank Executive Board has decided to exclude the companies Jardine Matheson Holdings Ltd., Jardine Cycle & Carriage Ltd and PT Astra International Tbk due to unacceptable risk of the company contributing to or being responsible for severe environmental damage, ref. the conduct-based criterion in the Guidelines for Observation and Exclusion from the Government Pension Fund Global § 4 e. PT Astra International Tbk has been under observation since October 2015, but that observation now ends given the exclusion decision.

BlackRock

BlackRock voted against the bundled election of the board of directors at AAL's 2023 AGM. It cited a lack of transparency on the company's ***"management of material sustainability-related risks"*** linked to palm oil production.


Item 3: Elect Directors and Commissioners and Approve Their Remuneration[5] (AGAINST)

Based on our analysis, the company could further improve transparency on their management of material sustainability-related risks associated with the production of palm oil. To signal our concerns, BIS did not support the bundled proposal on the election of the board of directors and commissioners.

SuMi TRUST
SUMITOMO MITSUI TRUST ASSET MANAGEMENT

Sumitomo Mitsui Trust Asset Management disclosed that it engaged with AAL's parent company, asking for actions to **address the reports of human rights issues.**


As a member of SPOTT's Advisory Group, we have been engaging palm oil plantation companies to make sustainable palm through the Roundtable on Sustainable Palm Oil (RSPO). The company is the parent company of Indonesian palm oil plantation operator Astra Agro Lestari (AAL). AAL is not currently a member of the RSPO, despite owning large plantations, mainly in Indonesia. In light of reports regarding human rights issues occurring on plantations, particularly in Sumatra, we have requested action to address potential problems and reiterated the need for prompt accession to the RSPO.

Vanguard

*"we discussed the board's processes to oversee **material human-rights-related risks** as well as the company's response to accusations related to the same. We highlighted our view on the importance of companies **providing clear disclosures of material risks that could impact long-term shareholder returns, including disclosures regarding their board's role in overseeing such risks**." (Source)*

Why is Kao's risk appetite for problematic suppliers different from its own institutional investors?

3 High Risk Supplier #3: FGV (1/2)

FGV Holdings and its Corporate Group are one of the LARGEST named mill operator/operator group on Kao's supply chain as of 2H 2025. However, investigations into labor practices at FGV plantations have accused the producer of child and slave labor.

FGV is a major Malaysian palm oil, majority owned by Malaysia's Federal Land Development Agency (FELDA). It operates plantations and palm oil mills supplying consumer brands

2015

WSJ Investigative Allegations

Wall Street Journal ("WSJ") investigation:

- Alleges labor abuses at FGV operations
- Workers reportedly paid **below minimum wage**
- Reports of **recruitment debt, passport retention, and poor working conditions**

(Source)

January 2020

Independent Investigation

Controversies trigger **RSPO investigation** which identified **multiple labor standard breaches**, including:

- **Trafficking indicators** in recruitment practices
- **Wage deductions** affecting migrant workers
- **Inadequate worker housing** conditions

The RSPO suspended certification for all uncertified units of FGV. This was lifted in 2023.

(Source)

September 2020

Escalation to Authorities

NGOs petition U.S. Customs authorities to **restrict imports** from FGV. U.S. Customs and Border Protection (CBP) **issued a Withhold Release Order (WRO)** for palm oil produced by FGV after its own investigations revealed: **forced labor, physical and sexual violence, intimidation and threats, debt bondage, abusive working and living conditions, and the potential use of forced child labor.**

(Source)

3 High Risk Supplier #3: FGV (2/2)

protect kao

Kao became a MAJOR buyer of FGV WHILE a U.S. forced labor import ban was in place, in direct contradiction with its U.S. growth strategy and its peers actions of suspension and publicly disclosed remediation.

H1 2024 — January 2026

U.S. CBP WRO IN PLACE | U.S. CBP WRO IN PLACE | U.S. CBP WRO IN PLACE | U.S. CBP WRO IN PLACE | U.S CBP WRO Lifted

Kao Onboards FGV

- In 2024, Kao increased sourcing from FGV **despite a U.S. forced labor import ban.**
- **This is a notable contradiction given Kao considers the U.S. a key growth market (~¥66.4bn Americas revenue).**
- Kao disclosed that it does not source from the controversial mills, but **the WRO is not mill-based but group-level, so Kao is still exposed.**
- **Kao has not publicly disclosed the due diligence undertaken or criteria used** to justify this sourcing decision.

Meanwhile, other large FMCG companies have sanctioned FGV…

No Buy List

Unilever List

FGV and FELDA have been on Unilever no buy lists as far back as 2018 due to practice concerns.

Suspended/ Remediation

Colgate List — **Not currently sourcing**

P&G List — **Remediation phase**

As well as Kao's closest peers, other relevant companies, such as General Mills, Nestle and Hershey, placed FGV and FELDA on No Buy Lists or suspended sourcing

Did Kao conduct an independent review of FGV's labor practices before increasing sourcing in 2024?

Did Kao consider the effects on its potential growth of sourcing from FGV while the group was under a U.S. import ban?

4 High Risk Supplier #4: PT ATAK

protect kao

In a similar situation to FGV, in January 2025, Kao started supplying from a mill owned by PT Aceh Trumon Anugerah Kita ("PT ATAK") after it was publicly linked to deforestation and sanctioned by FMCG peers*.

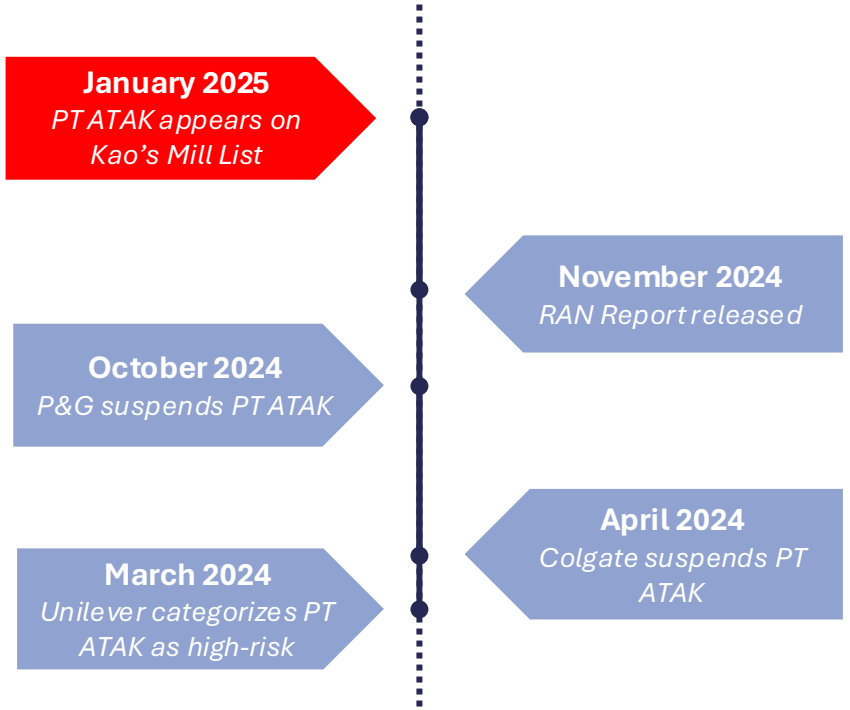
In November 2024, a third-party investigation by **Rainforest Action Network ("RAN")** found that **PT Aceh Trumon Anugerah Kita ("PT ATAK")** was using illegally grown palm oil from inside the Rawa Singkil Wildlife Reserve, which is densely populated by Sumatran orangutans (Source).

Peer Actions (Prior to publication of third-party report)

P&G — **Suspended** in Oct. 2024

Colgate — **Suspended** in Apr. 2024

Unilever — **Categorized the mill as 'high risk' and ensured no supply from mills and plantation until a "robust traceability-to-plantation system is demonstrated" (Mar. 2024)**



Note: this information is according to the most recent publicly disclosed mill list (2H 2025). Kao stated at its 2026 AGM that it does not source from PT ATAK, but it has not provided details or public disclosures to this effect

? Can Kao confirm that it sourced from PT ATAK in 2025, while PT ATAK was suspended by peers?

Top 10 Palm Oil Suppliers by Mill Count

protect kao

Two suppliers linked to significant labour and environmental controversies — FGV and Astra Agro Lestari — rank among Kao's Top 10 suppliers, highlighting potential gaps in supply chain due diligence.

	Parent Mill Company	Number of Mills
	RGE	109
1	FGV / FELDA	71
2	Perkebunan Nusantara (I-IV)	66
3	Sime Darby	31
4	SD Guthrie Berhad	17
5	Wilmar International Ltd	15
6	Kuala Lumpur Kepong (KLK)	15
7	Kurnia Prima Nastari	14
8	Sinar Mas	13
9	Astra Agro Lestari (AAL)	12
9	Sinar Jaya Agro Investama	12

RGE exposure relates mainly to alleged shadow mills

High-risk suppliers are **core to Kao's supply chain,** and additional suppliers may present similar risks.

This information is based on the **most recent publicly disclosed mill list (2H 2025)**. Kao stated at its 2026 AGM that it no longer sources from AAL and PT ATAK, but it has **not** provided details or public disclosures to this effect.

Kao Denies Sourcing from AAL

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Kao denies a relationship with AAL and PT ATAK, yet AAL appears 12 times in its latest mill list (2H 2025)

Kao states that it has "**no direct or indirect transactions**" with AAL or PT ATAK when it comes to palm oil or PKO.

AAL

AAL appears in Kao's most recent publicly disclosed mill list (2H 2025) **12 times**. Since 2022, AAL has appeared in on **average 16 times in the disclosures for each year***. Even if every mill listed is not necessarily related to Kao either directly or indirectly, when mills belonging to one company are listed 12 times in its most recent mill list, it seems **contradictory to Kao's own disclosure** to suggest that Kao does not have even an indirect relationship with this supplier.

*Palm Oil Mill Lists are disclosed twice a year (1H and 2H). Yearly figures have excluded double counting between 1H to 2H.

What is the mill list?



Palm oil mill lists present an outline of a supply chain and thus a company's **possible sourcing points** meaning that each mill listed is not necessarily indirectly or directly tied to the company. As such, it is possible that Kao does not have a relationship with every mill in its mill list.

- **If Kao has no direct or indirect transactions with AAL, why does it appear so frequently in its mill lists?**
- **What are Kao's due diligence mechanisms to ensure that palm oil or PKO from AAL's mills are not being used?**
- **How can investors gauge Kao's risk exposure when its sole transparent disclosure regarding its palm oil supply does not depict an accurate representation of this key supply chain?**

Failures against NDPE Policy

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PALM OIL

Tenets of NDPE Commitment	Kao's Compliance
Trace supply chains to mills and plantations	✓
Monitor suppliers for deforestation and human rights risks	✗
Investigate grievances and suspend non-compliant suppliers	✗
Disclose progress and compliance transparently	✗

Kao is **not compliant** with its own NDPE Policy

Other High Risk Suppliers

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As identified in the research report, further suppliers posing a high risk to Kao's supply chain are:

SUPPLIER GROUP	STATUS	KEY ISSUES
RGE Network (88+ mills)	JV partner + supplier	• Group Co has record of violent attacks on indigenous communities (Sept 2025) and FSC suspended
Astra Agro Lestari ("AAL") (12 mills)	Major supplier; increased sourcing	• Cited by UN Special Rapporteurs cited for land grabbing, intimidation and environmental harm; • Excluded by Norges Bank from investment portfolio; • BlackRock voted against board; peers suspended
FGV/FELDA (71 mills)	Largest supplier; onboarded 2024	• US import ban for forced labor, child labor, sexual violence (2020-26) RSPO suspended Unilever no-buy since 2018
PT ATAK	Onboarded 2025	• Peers suspended in 2024 BEFORE Kao onboarded due to deforestation concerns
Abdi Budi Mulia	Supplier since 2023	• 11,630 hectares cleared 2019-2023; deforestation continuing into 2025
Citra Borneo Indah / SSMS	Onboarded 2024	• 4,470 hectares deforested since Kao's cutoff; • Ongoing clearing 2024-2025; Unilever no-buy since 2017
First Resources / Fangiono Group	Onboarded 2025	• Alleged by NGOs to be one of Indonesia's largest deforester (multiple years); founder jailed for illegal rainforest schemes; RSPO suspended Aug 2025
Grupo Oleoflores	Onboarded 2024	• RSPO complaint (Jan 2025): land grabbing, deforestation, water dispossession; Louis Dreyfus no-buy

Key Questions

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- Has Kao considered the **risks it is exposed to** as a result of its joint venture with Apical?
- Why did Kao's "due diligence" **not entail an investigation of RGE** until this moment?
- How did Kao **engage with RGE** over the controversies it faced?
- Did Kao consider the **effects on its potential growth** of sourcing from FGV while the group was under a U.S. import ban?
- Did Kao conduct an **independent review of FGV's labor practices** before increasing sourcing in 2024?
- Can Kao confirm whether it has sourced from AAL **while it was the subject of reports released by NGOs**? Moreover, if it **increased its exposure** to AAL in this time?
- If Kao has no direct or indirect transactions with AAL, why does it appear **so frequently** in its mill lists?
- What are Kao's **due diligence mechanisms** to ensure that palm oil or PKO from AAL's mills are not being used?
- Can Kao confirm that it sourced from PT ATAK in 2025, while PT ATAK was **suspended by peers**?
- To what extent does Kao continue sourcing from entities while they are the **subject of reports by NGOs and intergovernmental organizations**?
- To what extent has Kao initiated new relationships with suppliers that have been **suspended or placed on no-buy lists by its peers**?
- To what extent has Kao sourced from suppliers **publicly linked to material environmental or human rights allegations** in the last three years?
- To what extent has Kao significantly increased sourcing relationships with suppliers that have been **subject to government trade restrictions** from a country in which Kao's products are sold?
- Why is Kao's **risk appetite for problematic suppliers** different from its own institutional investors?
- Has Kao 's **satellite monitoring picked up deforestation** linked to the palm oil mills it sources from?
- How can investors gauge Kao's risk exposure when its sole transparent disclosure regarding its palm oil supply does **not depict an accurate representation** of this key supply chain?

Questions Remain Unanswered

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Instead of answering these key questions and responding to the recent active controversies its current suppliers may face, Kao chose an example of supplier engagement from a decade ago and provides limited detail on its engagement approach or the criteria used to resume sourcing, beyond reliance on third-party RSPO confirmation.

Kao's only "specific" example of supplier engagement in its Response is with the IOI Group, which faced **RSPO certification suspension in 2016 – ten years ago.**

Kao also **maintained PKO purchases throughout the suspension**, despite peers (e.g. Unilever, Colgate-Palmolive, etc.) all fully suspending the supplier.

As a specific example demonstrating the effectiveness of this approach, when the IOI Group, a major supplier, had its RSPO certification suspended due to unauthorized land development and development on peatland, the Company fully suspended purchases of certified oil from the group, and suspended purchases of palm kernel oil except for the minimum volume necessary to maintain ongoing production. Thereafter, the Company continued its engagement and monitoring and resumed transactions after confirming the implementation of action plans for remediation.

Source: Kao Response, March 27, 2026

Further, in Kao's 2019 Sustainability Report, it notes that is lifted its purchase suspension of IOI primarily because **a RSPO-designated party** confirmed improvements – **not solely because of its own engagement.**

Response to suspension of RSPO certification for the IOI Group

RSPO suspended its certification in 2016 over complaints about forest development in Ketapang, Indonesia. We suspended purchases of RSPO-certified products from IOI Group until improvements were confirmed through objective verification by the third party designated by RSPO. We continued to engage in dialogue with IOI Group even during our suspension of purchasing its certified products, and have confirmed its improvement process. In consideration also of the strong evaluation of IOI Group's supply chain transparency from other outside groups, we have resumed purchases of certified products from IOI Group. RSPO has also reported that it has concluded its complaint procedure through a complaint panel (council).

Source: Kao Sustainability Report 2019

protect
kao

(II) Questionable Risk Management

OASIS

NOMURA

We believe that companies must exercise proper risk management in relation to activities that could negatively impact natural capital and biodiversity, as well as pursue business opportunities that address social issues, such as the preservation of natural capital and biodiversity.

OASIS

Three Lines of Defense

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Developed risk management systems rely on the "three lines of defense" to mitigate material risk. The board of directors (and Audit & Supervisory Board, in the case of Kao) then sits above these functions representing shareholders' interests by establishing an appropriate risk appetite and diligently overseeing activities to mitigate risk.

OVERSIGHT (Board + Senior Management)



FIRST LINE:
Operational Management

ROLE IN PALM OIL SOURCING:

- Enforcing sourcing standards
- Verifying supplier certifications
- Monitoring supply capacity
- Maintaining diversified supplier relationships to prevent unethical sourcing.



SECOND LINE:
Risk Management / Compliance

ROLE IN PALM OIL SOURCING:

- Establish sourcing policies, due-diligence procedures, and monitoring frameworks
- Assess supplier risks and compliance with standards
- Review controls implemented by "First Line" and report on risk



THIRD LINE:
Internal Audit

ROLE IN PALM OIL SOURCING:

- Independent assurance on effective operation of controls and processes.
- Evaluate compliance monitoring, and reporting accuracy.
- Identify control weaknesses and recommend improvements.

Kao has Adopted a High-Risk Approach

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Kao states that its approach to palm oil supply chain sustainability is to continue relationships with high-risk suppliers and fix through engagement, rather than suspend relationships, yet this opens Kao to several risks, especially if mismanaged.

kao

*"The Company believes that **maintaining relationships with suppliers while identifying sources where issues have been identified** and requiring remediation contributes to enhancing the sustainability of the entire supply chain."* – 27 March 2026 EGM Notice

Risks of Kao's Approach:

In adopting this approach to supply chain management, there is an increased…

- Risk of supplying from problematic suppliers
- Burden for transparency over the level of risk Kao's supply chain is exposed to
- Requirement for strict internal controls around the monitoring of remediation
- Burden on knowledgeable oversight

Peer Approaches Differ

CASE STUDY: PROCTER & GAMBLE

Based on P&G's published due diligence process and public grievance lists, it is clear **P&G is more comfortable with suspensions:**

P&G repeatedly **suspend palm oil producers** after a controversy is public and request its suppliers to do so as well **while it remediates the issue.**

Date Grievance Received	Stakeholder(s) Raising Grievance	Parent Company/Owner	Subsidiary	Description of Grievance/Concerns	P&G External Business Partner (i.e., Tier 1 Supplier)	Current Status	Phase
Jun-24	Friends of the Earth (FOE)	PT Astra Agro Lestari	PT Agro Nusa Abadi (ANA), PT Mamuang, PT Letawa (PT LLT), PT Sawit Jaya Abadi and PT Rimbunan Alam Sentosa	Community Land Rights and Intimidation of Rights Holders, Human Rights Defenders	Musim Mas/ ICOF, KLK GAR/ Sinar Mas	P&G has requested our Tier 1 suppliers to take steps to suspend purchasing of all palm oils from PT AAL effective December 2024. This is an extension of our previous suspension of five PT AAL subsidiaries: PT Mamuang, PT Agro Nusa Abadi (ANA), PT Lestari Tani Telada (PT LTT), PT Pasangkayu and PT Letawa in 2022-2023. Sep'25 update: Completed suspension of supply from Palm Oil and Palm Kernel Oil suppliers with known supply chain linkages.	Phase 3 - Remediate (Monitor + Report)

P&G

Cracks in the Defense

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Kao's exposure to high-risk suppliers raises questions about how this exposure occurred and the effectiveness of Kao's "three lines of defense", as well as the oversight of the Board.

Key Question	Risk Management Process	Effective?
Did Kao's supplier due diligence identify ESG or controversy risks before onboarding these suppliers?	1 **Operational Management** *Robust supplier due diligence to identify controversies and ESG risks before onboarding.*	✕
Did Kao's monitoring processes and grievance mechanisms identify supply-chain risks before they escalated into public controversies?	2 **Risk Management / Compliance** *Ongoing monitoring of risk through inspections, compliance assessments, and grievance.*	✕
Do Kao's internal controls ensure high-risk suppliers are identified, escalated, and addressed?	3 **Internal Audit** *Internal controls to ensure supply chain risks are identified, escalated, and addressed*	✕
Have Kao's oversight bodies adequately probed supply chain practices to establish risk exposure	**Oversight** *Independent and qualified directors able to oversee supply chain risk management*	✕

I. Operational Management

Kao has established supplier sustainability frameworks, but public disclosures raise questions about how these policies are implemented and enforced.

	Policy/Procedure	What Kao Requires	What Public Evidence Shows
Policy	NDPE Policy	Suppliers and their corporate groups **must adopt NDPE commitments** across supply chains.	**Continues sourcing from suppliers linked to NDPE violations** (e.g. FGV, AAL, etc.).
Policy	RSPO Certification	Uses the **third-party certification system** and aims to procure 100% RSPO-certified palm oil by 2025.	**<40% of Kao's palm oil was RSPO-certified in 2024;** heavy **Book-and-Claim credits** reliance
Policy	Supplier Code of Conduct / Partnership Requirements	Suppliers must follow **Kao's Partnership Requirements** through their own supply chains and accept corrective actions or suspension.	Enforcement of supplier standards unclear (no disclosure or list of suspended suppliers)
Procedure	Human Rights Due Diligence	Kao states it **conducts human rights due diligence** across suppliers, including surveys and risk assessments.	Results are **minimally disclosed,** and details on the due diligence process and **outcomes are not publicly reported.**
Procedure	Supplier Monitoring	Kao states it conducts supplier monitoring, including **site inspections for extremely high-risk mills.**	**No evidence of site verification visits since 2019**

BlackRock®

In our view, companies with material risks and opportunities arising from sustainability-related factors serve investors' interests when they disclose how their governance, strategy, risk management and operational objectives integrate those considerations. As with reporting on other aspects of a company's business operations, comprehensive sustainability-related disclosures can help investors assess how material risks and opportunities are being managed, and the company's reputation and competitive position are being protected.

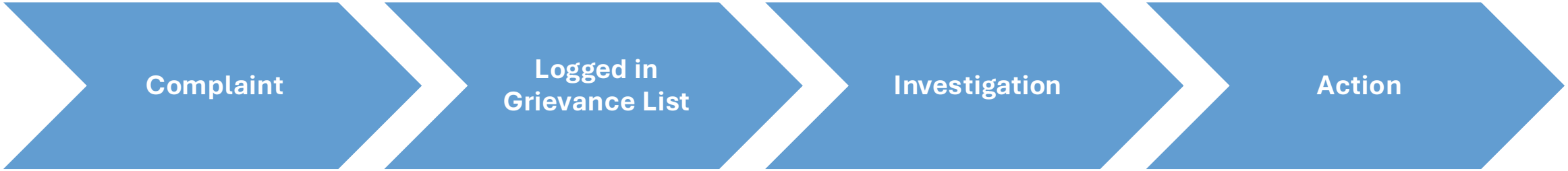
OASIS

II. Grievance List (1/5)

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A grievance list is a public database used by companies to document supplier controversies and track their response. Grievance lists allow stakeholders to assess how companies identify, investigate, and respond to supply-chain risks. Grievance lists in this case are part of a palm-oil-specific grievance mechanism, and therefore distinct to general compliance hotlines. A separate palm-oil-specific grievance mechanism is common among peers—for further information see the Appendix.

Tracked in Grievance List



Transparency Provided by Grievance Lists

- Supply-chain risks identified
- Actions taken
- Compliance with sourcing policies

II. Grievance List (2/5)

protect kao

Kao's grievance disclosure is materially less detailed than peers, limiting visibility into supply chain risks and remediation efforts. With a weak grievance list, controversies may never be reported.

		Kao	Unilever	Colgate-Palmolive	Reckitt
Dates & Frequency of Updates	Date last updated	Dec-25	Nov-25	Feb-26	Jul-25
	First grievance included	Sep-22	Oct-15	May-20	Aug-20
	Includes date each grievance was raised/received	●	●	●	●
Grievance Subject & Context	Provides outline of grievance	●	●	●	●
	Includes grievances related to deforestation	●	●	●	●
	Includes grievances related to human rights	●	●	●	●
Supply Chain Connectivity	Outlines supplier link type *e.g. Direct; Indirect; Group-Level Relationship*	●	●	●	●
	Geographic Specificity	●	●	●	●
Action, Status & Remediation	Outlines company actions	●	●	●	●
	Includes updates on the status of the grievance	●	●	●	●
Evidence & Sourcing	Provides sources to third party reports where applicable	●	●	●	●
	Grievances include those raised by NGOs through articles/reports	●	●	●	●
	Total:	**4/10**	**10/10**	**10/10**	**9/10**

● Yes; ● No; ● Partially

Source: Kao, Unilever, Colgate-Palmolive, Reckitt

Kao: 4/10 | Peer average: ~9.7/10

II. Grievance List (3/5)

Kao's grievance list differs from that of its peers in two key areas, scope and content. While the grievance list should be used to report and track serious controversies, Kao's features questions like "why are my fruits small?".

1 Scope

Covers only a fraction of its palm oil supply chain, applying to 323 smallholders. Peers' grievance mechanisms cover their entire supply chain

2 Content

Issues listed mainly relate to farming queries. When the grievance list does mention issues such as forced labor, it is in terms of general questions rather than citing specific incidents

No.	Submit date	Ticket No.	Category	Question from Farmer *Original in Bahasa Indonesia *English translation	Answered to Farmer *Original in Bahasa Indonesia *English translation	Ticket status: *Rejected *Accepted *Responding *Closed
162	Oct-23	L0SCSDCI	Human Rights and Land Dispute	Apa yang harus saya waspadai ketika saya melihat praktik kerja paksa di lapangan? What should I be aware of when I see forced labor practices in the field?	Terima kasih untuk pertanyaan yang disampaikan. Kerja paksa merupakan tindakan yang dilarang oleh hukum nasional dan internasional. Jika anda melihat praktik kerja paksa di perkebunan kelapa sawit, disarankan untuk menghubungi pihak berwenang terdekat (kepala desa, polisi, dll.) Terima kasih Thank you for the questions submitted. Forced labor is an act prohibited by national and international law. If you see forced labor practices on palm oil plantations, it is advisable to contact the nearest authorities (village head, police, etc.) Thank You	Closed
223	Aug-24	22VK8ZGP	Productivity and Profitability	Saya ingin belajar bagaimana menerapkan pupuk secara efektif I want to learn how to apply fertiliser effectively.	Terima kasih atas pertanyaan yang disampaikan. Pemupukan merupakan salah satu kunci penting untuk meningkatkan produksi TBS. Kunci penting dalam aplikasi adalah 4T (Tepat Dosis, Tepat Waktu, Tepat Cara dan Tepat Tempat). Terima kasih Thank you for your enquiry. Fertilisation is one of the important keys to increase FFB production. The important key in application is 4R (Right Dose, Right Time, Right Method and Right Place). Thank you.	Closed
271	Nov-24	CFW8DIGF	Productivity and Profitability	Kenapa buah saya kecil2 Why are my fruits small?	Terima kasih untuk pertanyaan yang disampaikan. Produksi TBS dipengaruhi oleh beberapa faktor seperti genetik (benih unggul), lingkungan (curah hujan, suhu, kelembaban, dll) serta pemeliharaan kelapa sawit (kultur teknis). Untuk mengetahui penyebab buah kecil perlu dicek lansung dilapangan sehingga faktor-faktor tersebut bisa diverifikasi. Silahkan menghubungi staff CSV asian agri untuk konsultasi lebih lanjut. Terima kasih Thank you for your enquiry. FFB production is influenced by several factors such as genetics (superior seeds), environment (rainfall, temperature, humidity, etc.) and oil palm maintenance (technical culture). To find out the cause of small fruit, it needs to be checked directly in the field so that these factors can be verified. Please contact Asian Agri CSV staff for further consultation. Thank you	Closed
278	Apr-25	08M4NPNR	Forest Conservation and Certification	Apa itu sertifikasi kelapa sawit? What is oil palm certification?	Ada beberapa jenis sertifikasi untuk perkebunan kelapa sawit, di antaranya diamanatkan oleh pemerintah, yaitu ISPO (Indonesian Sustainable Palm Oil) dan beberapa dengan skema sukarela seperti RSPO (Roundtable on Sustainable Palm Oil). Sertifikasi ini wajib bagi pembeli (perusahaan) TBS tertentu untuk memastikan perkebunan kelapa sawit dikelola secara berkelanjutan. There are several type certification for oil palm plantation, on of them mandated by government, which ISPO (Indonesian Sustainable Palm Oil) and several by voluntary scheme such as RSPO (Roundtable on Sustainable Palm Oil). These certifications are mandatory for particular FFB buyers (companies) to ensure the oil palm plantation is managed sustainably.	Closed

Does Kao's grievance list reflect the most up to date and relevant information relating to the palm oil supply chain that the company has access to?

II. Grievance List (4/5)

The difference in implementation is clear compared to peers like Unilever. Given Kao elects for an engage and monitor approach to managing supply chain risk, the shortfalls in Kao's disclosure erode confidence in its robust application.

Outlines supplier type e.g. (in)direct

Includes grievances related to deforestation

Includes grievances related to human rights

Grievances include those raised by NGOs

Provides third-party sources where applicable

A. Grievances against direct suppliers

Direct suppliers have a contract with Unilever and directly supply Unilever's in-scope commodities.

Ref.	Date first raised	Stakeholder	Subject matter of grievance allegation	Supplier(s) link to Unilever SC	Latest Unilever and Unilever supplier actions to address grievance allegations
A19	Aug 2025	Mighty Earth	**Allegation of deforestation** In Rapid Response Report 50, Mighty Earth reported 4.2ha of peat clearing between October 2023 and June 2024 carried out by **PT Graha Agro Nusantara (PT GAN)**, a subsidiary of Karunia Prima Nastari (KPN). The report can be found here.	**Karunia Prima Nastari (KPN)**	• Unilever has reached out to KPN for clarification on the the alleged peat clearing reported by Mighty Earth. KPN stated that one of their management units carried out land clearing activities without permits and without following company procedures. Annual monitoring using aerial photography was conducted in May 2024 which confirmed that there were indeed changes in land cover. Furthermore, negligence in canal cleaning and reservoir construction lead to peat forest degradation. • KPN have responded to the allegations and have prepared a restoration plan with photographic evidence showing significant progress from when the plan was first implemented in 2024 up till July 2025. • In addition to their restoration plans, KPN are also propagating seedlings for the enrichment of peat forest conservation in the area. • We continue to monitor and engage with KPN regarding the restoration plan.

B. Grievances against third-party/indirect, group-level suppliers raised to Unilever

Indirect/ third-party suppliers do not have a contract with Unilever, but our direct suppliers are currently sourcing from or have previously sourced in-scope commodities from them.

Ref.	Date	Stakeholder	Subject matter of grievance allegation	Supplier(s) link to Unilever SC	Latest Unilever and Unilever supplier actions to address the grievance allegations
B52	Nov 2024	Forest People's Programme	**Allegations of human rights violations** Allegations of human, land, and community rights violations in Colombia. Communities and FPP are reported to have lodged a complaint with the RSPO. Further information and press release are available here.	Grupo Oleoflores Unilever has no direct sourcing relationship with the supplier in question but may be exposed through a supplier.	• Upon receiving this information, Unilever reached out to our direct supplier to obtain further information on the allegations raised (December 2024). • Oleoflores is currently being monitored by our direct supplier. Oleoflores is currently under a risk designation following an internal Grievance Panel review of our direct supplier. • In June 2025, RSPO launched an independent investigation into Oleoflores, which is expected to conclude in early 2026. We will reassess this case after RSPO's final determination (November 2025)

II. Grievance List (5/5)

protect kao

Kao promises improvements to the grievance list, however, disclosure alone is not sufficient to tackle the issues that appear to exist in Kao's supply chain.

Extract from Kao (27 March 2026 EGM Notice)	Oasis Response
"As a result, the Company has established the Kao Grievance Mechanism as a system that enables smallholders in the upstream segment of the supply chain to access support directly in local languages. The Company has this mechanism in operation for independent smallholders in Indonesia **and plans to expand its coverage to additional regions in a phased manner.**"	**The grievance list covers only an estimated 6% of Kao's palm oil supply. A vague promise of future enhancements is not enough to address Oasis' concerns, especially since Kao has been slow to improve, with the number of smallholders covered by the palm oil grievance mechanism increasing from to just 323 by FY2025. Investors need to know the risks in the supply chain now.**
"The mechanism **accepts a broad range of inquiries, including not only issues related to environmental and human rights concerns,** but also matters such as productivity improvement and farm management. It is therefore positioned not merely as a complaint-handling system, but as a framework for providing support tailored to local conditions."	**Kao's grievance list does not provide material information on human rights and environmental controversies. There is a significant difference in scope and content between peers' grievance lists and Kao's.**
"Through this mechanism, the Company will continue to support the sustainable development of smallholders while enabling the early identification and prevention of risks within the supply chain. Through these mechanisms, the Company continues to identify and mitigate risks in its supply chain and business operations by **responding appropriately and implementing measures for remediation as necessary**."	**Kao has provided no information regarding remediation measures implemented in response to environmental and human rights controversies in the supply chain.**



Companies should have robust internal audit and internal control systems designed for effective management of any potential and emerging risks to company operations and strategy.

OASIS

III. Internal Audit (1/2)

protect kao

Internal audit verifies the effectiveness of controls, ensuring policies are implemented as prescribed. Lack of clarity over supply-chain risk and associated sustainability issues being covered by internal audit raises questions as to awareness of control breaches. Kao's internal audit disclosure references "sustainability-related matters" broadly, while Unilever explicitly identifies supply-chain resilience as an Audit Committee focus area.

Kao

No explicit reference to supply-chain risk

Audit Policy
The Kao Group has introduced ROIC company-wide and has decisively implemented structural reforms to support its goal of sustaining *Global Sharp Top* businesses. With management aligned on the urgency of reform, we have adopted an audit policy focused on monitoring the implementation of the K27 Strategic Framework and responses to key management and environmental risks. Our auditing activities also cover sustainability-related matters, reflecting the expectations of stakeholders.

Unilever

Explicit audit committee oversight of supply-chain risks

Report of the Audit Committee

Special focus has been given to:

- Supply chain resilience: Management provided an update on the risks associated with the supply of materials and finished goods within their global extended value chain, with special focus on locations with supplier concentrations. The Committee reviewed potential disruptions of key supplies and the mitigation plans established by management.

? Do Kao's internal controls and audit processes **extend to supply chain risks** and **ensure high-risk suppliers are identified, escalated, and remediated**?

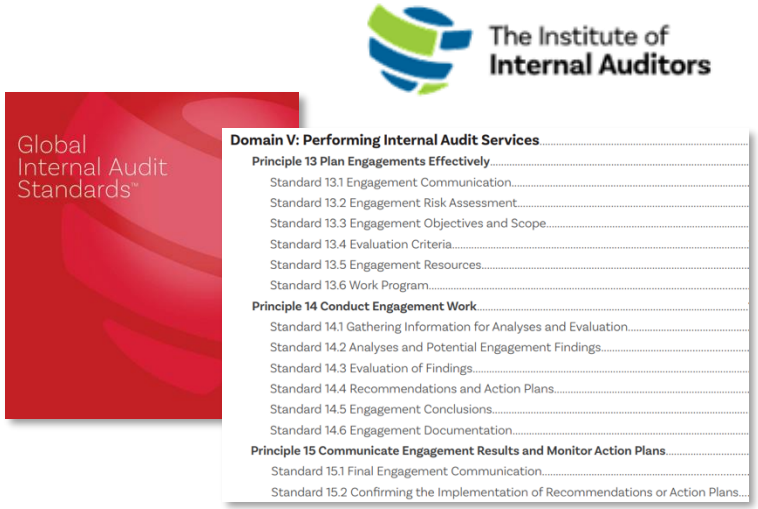
Internal Audit (2/2)

protect kao

Kao states that its review of internal controls found no issues. However, Oasis questions the credibility of an internal controls audit completed in just over 3 weeks, particularly given the comprehensive requirements set out in external audit frameworks.

*"The Board of Directors **received a report on the results of its review** of the points raised by the Requesting Shareholders and, following deliberation, determined that **no facts have been identified that indicate any material deficiencies in the Company's internal control system**."*

Kao's 27 March 2026 EGM Notice



Kao's EGM Notice citing a complete internal review was released just **3 weeks** after its initial response to the concerns.

This timeframe raises serious questions about **scope, depth, and methodology,** particularly whether the review followed Global Internal Audit Standards such as:

- Included **independent validation vs. reliance on management information**
- Performed any control testing or **supplier-level verification**
- Involved **meaningful stakeholder engagement**

...Or was Kao's review limited to a high-level internal assessment?

What was the scope of the review, in terms of both the extent of controls and the time period covered?

What criteria were used (e.g. regulations, international frameworks, external standards)?

Were any recommendations and action plans discussed with management?

Was there an external auditor or independent auditor involved in the review?

ICGN
International Corporate Governance Network

The board should ensure that the company has robust and effective risk management and internal control systems which should address all key risks.

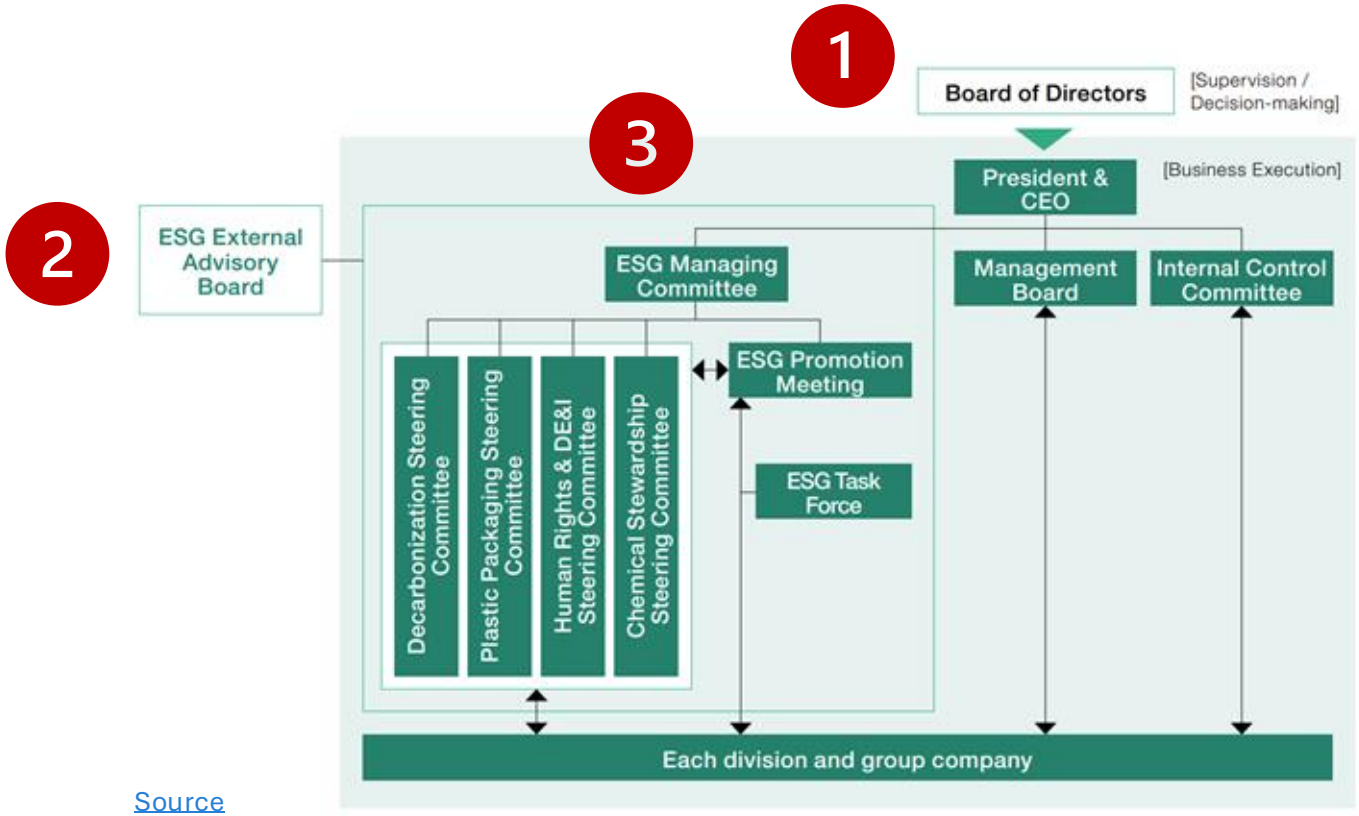
OASIS

IV. Oversight

protect kao

Kao's oversight mechanism spans management functions, which lead to the board through the President. Management is further supported by and ESG External Advisory Board.

Schematic of Kao's ESG Governance Structure



Source

Three areas signal weakness in board and senior management oversight of ESG supply chain risk:

1) **Board Skills**
2) **ESG External Advisory Board**
3) **Management Appointments**

Outside of these points, it is notable that Kao has four "Steering Committees" for top profile ESG risk areas – palm oil and wider raw materials sourcing is not included.

IV. Oversight

protect kao

Kao is an outlier to its global peer group for not including the Board more deeply in the oversight of risk, specifically relating to sustainability / ESG.

WITHOUT Board-Level Committee Enhancing Risk Management of ESG Issues	WITH Board-Level Committee Enhancing Risk Management of ESG Issues
Kao	Unilever – Corporate Responsibility reckitt – Compliance Beiersdorf – Digital & ESG Colgate – Governance and Corporate Responsibility L'ORÉAL – Strategy and Sustainability P&G – Governance & Public Responsibility Estée Lauder – Nominating and ESG Committee

IV. Oversight 1

protect kao

The effectiveness of board-level oversight is dictated by skills held by directors – namely the outside directors. Kao's board appears to have strong coverage of *"Environment/Society"*, but a review of past experiences question the dept of this experience.

Name	Role	Tenure	Environment/Society" Skill in Board Skills Matrix
Yoshihiro Hasebe	President	10	●
Masakazu Negoro	Inside Director	3	●
Toru Nishiguchi	Inside Director	3	
Lisa MacCallum	Inside Director	1	●
Eriko Sakurai	Outside Director	4	●
Takaaki Nishii	Outside Director	3	
Makoto Takashima	Outside Director	2	
Sarah Casanova	Outside Director	1	●
Shinji Okuyama	Outside Director	**0**	●

Despite being attributed the skill in the board skills matrix. None of the **outside directors** appear to have deep experience of assessing ESG risk in supply chains

Lisa MacCallum's Experience
… **ESG communications**

Eriko Sakurai's Experience
… **Knowledge of sustainability**

Sarah Casanova's Experience
No reference to the skill in bio

Notably, other peers consider supply chain as a skill, as well as a sustainability related measure. Beiersdorf employs this method, with two members of the Supervisory Board possessing skill in supply chain.

When proposed a supply chain expert in the lead up to the 2025 AGM, Yannis Skoufalos, why did Kao not perceive this skillset to be necessary on the Board?

IV. Oversight 1

protect kao

The effectiveness of board-level oversight is dictated by skills held by directors – namely the outside directors. Kao's board appears to have weak coverage of "Legal / Risk Management" skill.

Name	Role	Tenure
Yoshihiro Hasebe	President	10
Masakazu Negoro	Inside Director	3
Toru Nishiguchi	Inside Director	3
Lisa MacCallum	Inside Director	1
Eriko Sakurai	Outside Director	4
Takaaki Nishii	Outside Director	3
Makoto Takashima	Outside Director	2
Sarah Casanova	Outside Director	1
Shinji Okuyama	Outside Director	**0**

"Legal / Risk Management" Skill in Board Skills Matrix

Only Makoto Takashima is skilled in Legal / Risk Management, and even in this qualification, Kao state that this only relates to bank management.

- Experience as the top executive of a major global financial institution
- Experience in international and corporate planning departments
- Experience in risk management and legal affairs in bank management

Peer coverage of this skill is far superior. At Unilever, all non-executive directors are credited with having risk management expertise (Source).

In searching for new board candidates, why has Kao appeared to neglect risk management (of any kind) skill on the Board?

IV. Oversight 2

protect kao

Supporting the management function is the ESG Advisory Board, which provides reports and recommendations in response to the consultations of the ESG Managing Committee. The Committee only meets twice year and counts current director, Lisa MacCallum as a former member.

ESG External Advisory Board	• Give advice and recommendations for issues raised by the ESG Managing Committee from outside expert viewpoints and based on a high level of expertise • Provide information to the ESG Managing Committee to enable the development and implementation of world-class plans • Provide opportunities for collaboration and cooperation with external parties • Evaluate Kao's ESG activities	Members: External influential experts • Rika Sueyoshi CEO, Ethical Association Specialization: Ethical consumption, etc. • Ruma Bose CEO, Amura Group Specialization: Human rights, entrepreneurship support, etc. • Mike Jefferson Director, Verde Research and Consulting Ltd. Specialization: Waste management, Recycling systems, etc.	Twice/ year	• Proposed expectations for and risks to Kao based on the social climate • Evaluated the progress made on the KLP and raised issues • Provided advice on ESG investment and the disclosure of its impact information • Provided advice for circular economy and advocacy activities • Provided advice for compliance with European regulations (environment, information disclosure, etc.) • Provided advice on DE&I and human rights approaches and initiatives • Provided advice on sustainable marketing • Provided advice for ESG communication • Provided advice for internal engagement

Kao claim that this outside input *"reflects the third-party perspectives of outside directors and experts in management"*, however, none of the members appear to have strong credentials to advise on issues like palm oil risk management.

By stating an intention to strengthen the ESG External Advisory Board in its rebuttal, Kao effectively **concedes that the Board itself lacks the sustainability and risk management expertise required.**

Why does Kao even require an ESG External Advisory Board if sustainability expertise is extensively covered on the Board, as it claims?

IV. Oversight 3

protect kao

Beyond board-level dynamics, quality of management oversight is a key factor to assessing priorities informed by senior management and the Board.

December 2024 — **Today**

Prior to his retirement, announced in December 2024 (Source), David Muenz was the most senior executive responsible for ESG at Kao.

Muenz background was in R&D, and he sat on the Board from 2022. It is evident that during his tenure, **Kao made strides in R&D-driven innovation to tackle risk related to palm oil:**



On his retirement, Kao appointed Junko Ohtani to be the most senior ESG executive. **Ohtani's background is in communications;** she worked in Kao's corporate communications until 2017, moving then to ESG communications.

Ohtani does not sit on the Board. Replacing Muenz on the Board was **Lisa MacCallum** – an inside director - who is alleged to have **ESG expertise, but also in communications:**

> Since July 2019, she has served as a member of Kao's ESG External Advisory Board, and since September 2021, she has been an Executive Fellow, providing guidance on Kao Group's sustainability initiatives and communications from a global and multi-stakeholder perspective. She has a deep

Kao's risk matrix (Source) cites **"Increase loyalty by strengthening purpose driven brand"** as the top strategy for tackling "improper management and handling of high-risk procurement, such as palm oil".

How are corporate communications and branding executives appropriate for addressing significant sustainability risks within key supply chains?

Key Questions

protect kao

- Did Kao's **supplier policies, due diligence, and onboarding processes** adequately identify ESG and controversy risks **before and during engaging high-risk suppliers**?
- Do Kao's grievance mechanisms **effectively capture and address supply-chain violations** across Kao's **full palm oil supplier network**?
- Does Kao's grievance list reflect the **most up to date and relevant information** relating to the palm oil supply chain that the company has access to?
- Do Kao's internal controls and audit processes **extend to supply chain risks** and **ensure high-risk suppliers are identified, escalated, and remediated**?
- How are corporate communications and branding executives **appropriate for addressing significant sustainability risks within key supply chains?**
- When proposed a **supply chain expert in the lead up to the 2025 AGM, Yannis Skoufalos**, why did Kao not perceive this skillset to be necessary on the Board?
- In searching for new board candidates, why has Kao appeared to **neglect risk management** (of any kind) skill on the Board?
- Why should Kao have an **ESG External Advisory Board** when sustainability expertise – and challenge resulting from these directors - should be extensively covered on the Board?
- Regarding Kao's **internal assessment of its controls in response** to Oasis' concerns:
    - What was the **scope of the review**, in terms of both the extent of controls and the time period covered?
    - What **criteria were used** (e.g. regulations, international frameworks, external standards)?
    - Were any **recommendations and action plans** discussed with management?
    - Was there an **external auditor or independent auditor** involved in the review?

protect
kao

Importance of Shareholder-Mandate

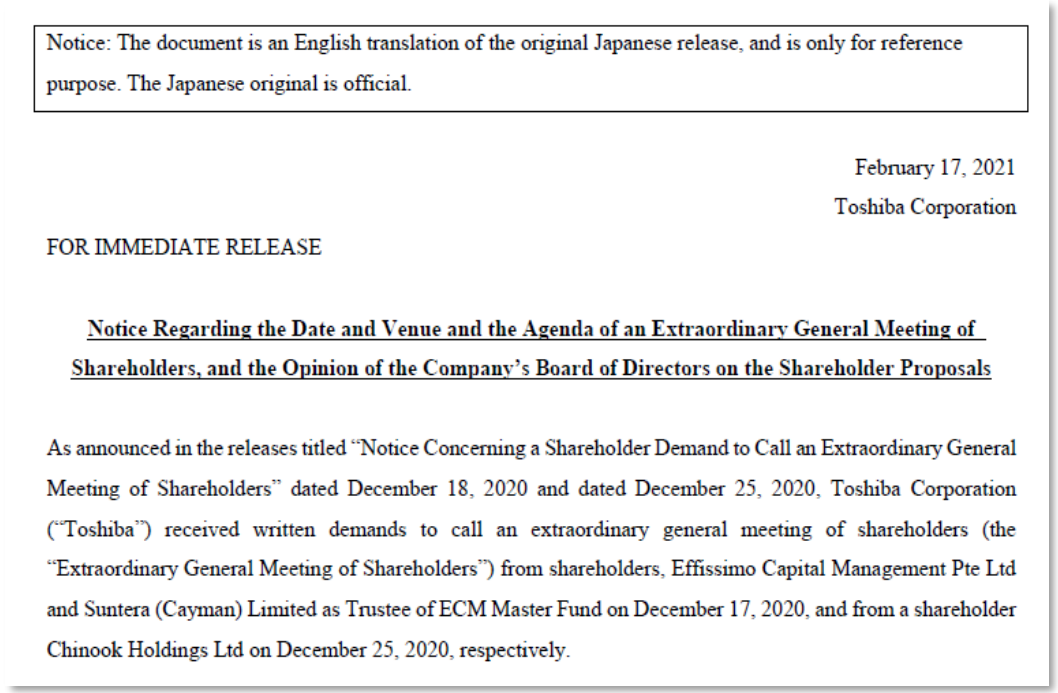
OASIS

The Need for a Shareholder Mandate

protect kao

Independent investigative committees are not unusual: in 2025 alone, over 55 were conducted. At Toshiba, in relation to allegations of investor pressure at the 2020 AGM, shareholders voted for a shareholder mandated investigation, identifying a clear conflict at board-level which precluded a board-mandated process.

Toshiba Corporation



Notice: The document is an English translation of the original Japanese release, and is only for reference purpose. The Japanese original is official.

February 17, 2021
Toshiba Corporation

FOR IMMEDIATE RELEASE

Notice Regarding the Date and Venue and the Agenda of an Extraordinary General Meeting of Shareholders, and the Opinion of the Company's Board of Directors on the Shareholder Proposals

As announced in the releases titled "Notice Concerning a Shareholder Demand to Call an Extraordinary General Meeting of Shareholders" dated December 18, 2020 and dated December 25, 2020, Toshiba Corporation ("Toshiba") received written demands to call an extraordinary general meeting of shareholders (the "Extraordinary General Meeting of Shareholders") from shareholders, Effissimo Capital Management Pte Ltd and Suntera (Cayman) Limited as Trustee of ECM Master Fund on December 17, 2020, and from a shareholder Chinook Holdings Ltd on December 25, 2020, respectively.

ISS

An independent investigation is called for given doubts over the legitimacy of Toshiba's earlier investigation whose **conclusions were drawn based on one-sided conversations**.

...

Now that Toshiba is once again listed on the First Section of the Tokyo Stock Exchange, **the company should increase transparency and establish a solid corporate governance system through an independent investigation**

The Need for a Shareholder Mandate

protect kao

To provide the necessary assurance to shareholders, consumers, and other stakeholder groups, an investigation into these matters must be **fully independent of the incumbent Board of Directors**, Audit & Supervisory Board and Management Team. To achieve this, **the investigation must be shareholder-mandated**.

	Board-Mandated Investigation	Shareholder-Mandated Investigation
Risk of conflicted process	HIGH	LOW
Risk to independence of investigators	HIGH	LOW
Risk that investigators lack competency	HIGH	LOW
Risk of scope limitation	HIGH	LOW
Risk to information flow to investigators	HIGH	LOW
Risk to transparency of final report	HIGH	LOW

Kao's internal review has *"determined that no facts have been identified that indicate any material deficiencies in the Company's internal control system"*, providing a predictable outcome of an internal review that cannot warrant external confidence.

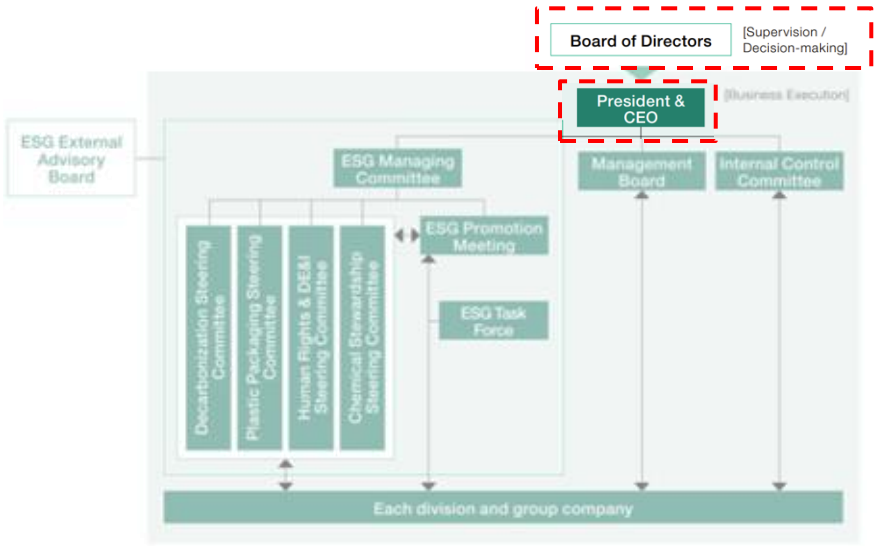
Risk of Conflict - Overview

protect kao

If Kao are to launch their own investigation, this would be appointed and validated by the Board. However, each Board member is conflicted in appointing investigators that will establish the full extent of the issues at Kao, as well as the root cause, because members of the Board may be held accountable.

			Conflicting Factor	
Name	Role	Tenure	Management Function	Oversight Function
Yoshihiro Hasebe	President	10	●	●
Masakazu Negoro	Inside Director	3	●	●
Toru Nishiguchi	Inside Director	3	●	●
Lisa MacCallum	Inside Director	1	●	●
Eriko Sakurai	Outside Director	4		●
Takaaki Nishii	Outside Director	3		●
Makoto Takashima	Outside Director	2		●
Sarah Casanova	Outside Director	1		●
Shinji Okuyama	Outside Director	**0**		

Schematic of Kao's ESG Governance Structure



Source

Risk of Conflict – Management

protect kao

Top Executives have accountability for the execution of Risk Management and Compliance tasks, as well as evaluating the effectiveness of existing controls. All four of Kao's inside directors have been in roles which would require decision-making or oversight of the sustainability of the supply chain.

Involvement in Supply Chain Management or Sustainability

Yoshihiro Hasebe

President



As President, Hasebe is **ultimately responsible** for the executive function, a position he has held since 2021.

Specifically, Hasebe is:

- **Chair of Kao's ESG Managing Committee** (Source)
- He has been **responsible for compliance** (Source) and is **Chair of the Internal Control Committee** (Source)

Masakazu Negoro

Inside Director



Negoro has been **responsible for procurement** since 2019 (Source).

Sits on the **ESG Managing Committee** (Source).

Toru Nishiguchi

Inside Director



Nishiguchi has **led Consumer Products businesses** in Asia since 2020.

Sits on the **ESG Managing Committee** (Source).

Lisa MacCallum

Inside Director



Lisa joined the Board in 2025 but served on the **ESG External Advisory Board** between 2019 and 2021, before becoming a Corporate Executive Fellow *"providing guidance on Kao Group's sustainability initiatives"*.

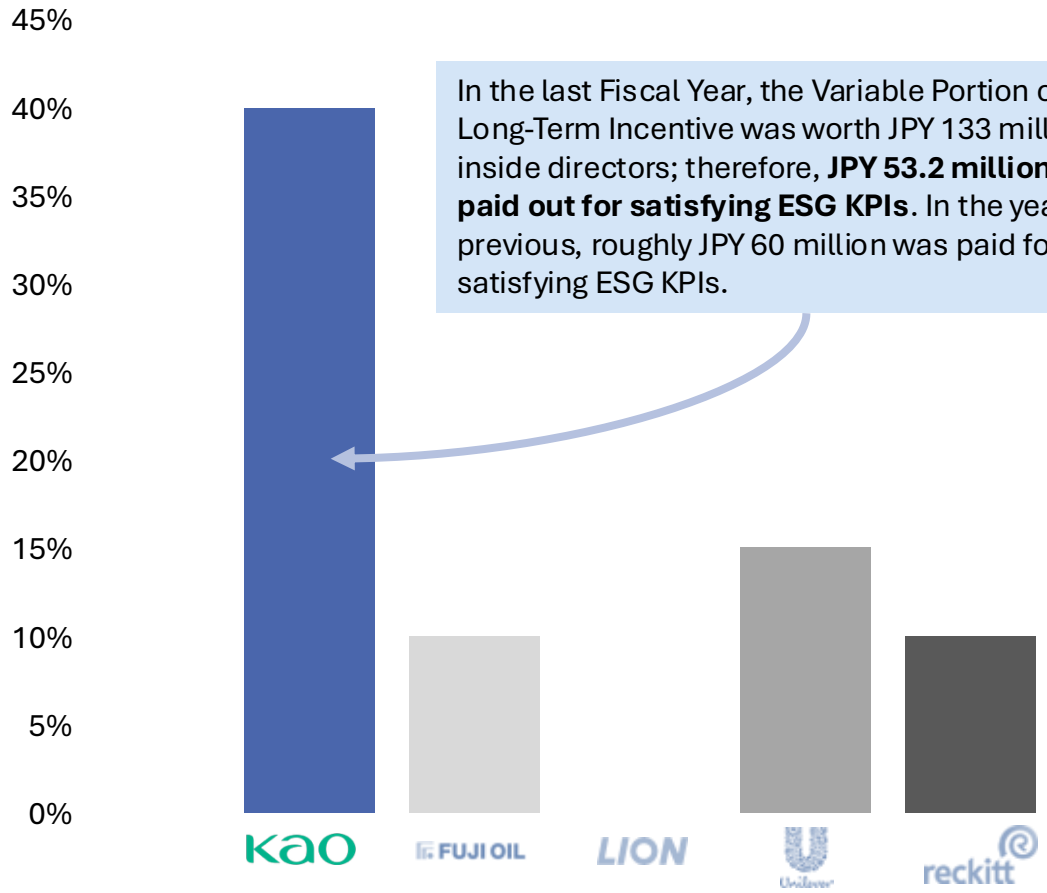
(Source)

Risk of Conflict – Management

protect kao

Long-Term Incentives of Kao's President and top executives are heavily driven by ESG, far more than domestic and foreign peers. In Kao's variable long-term incentive, ESG is weighted equally to "Business Growth Evaluation".

ESG KPI as % of all KPIs within Variable Long-Term Incentive



In the last Fiscal Year, the Variable Portion of the Long-Term Incentive was worth JPY 133 million to inside directors; therefore, **JPY 53.2 million was paid out for satisfying ESG KPIs**. In the year previous, roughly JPY 60 million was paid for satisfying ESG KPIs.

ESG KPIs AT RISK FROM ALLEGATIONS within Variable Long-Term Incentive

ESG Activities Evaluation (7-point scale) **[17.5%]**

- Degree of achievement toward Kirei Lifestyle Plan Priority Targets
- Decarbonization (% reduction in CO2 emissions)
- Zero waste (% recycling rate of plastics)
- % of female managers
- Number of serious compliance violation

Results of evaluations from major ESG assessment bodies **[10%]**

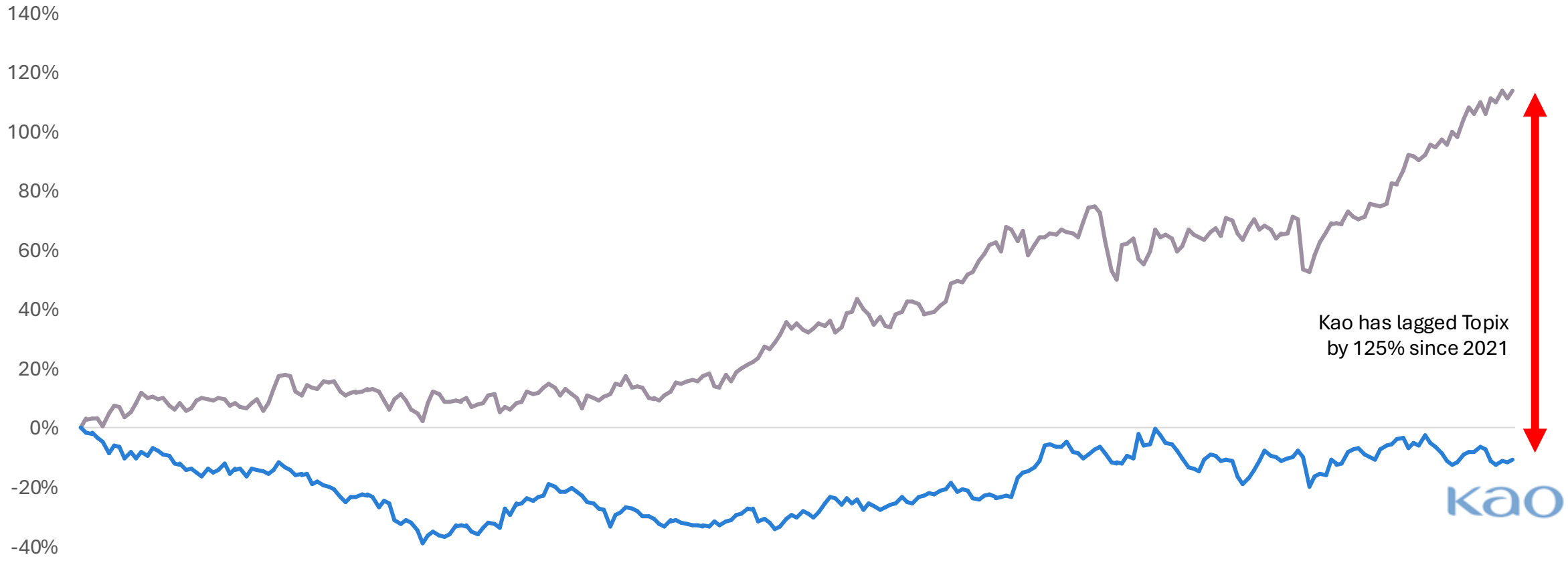
Given the weakness of the grievance list disclosure, Oasis questions whether serious compliance violations are being accurately counted

Risk of Conflict – Management

protect kao

The influence of ESG factors in pay poses a greater conflict when considering that management is failing to deliver value thr ough quantitative financial measures like share price.

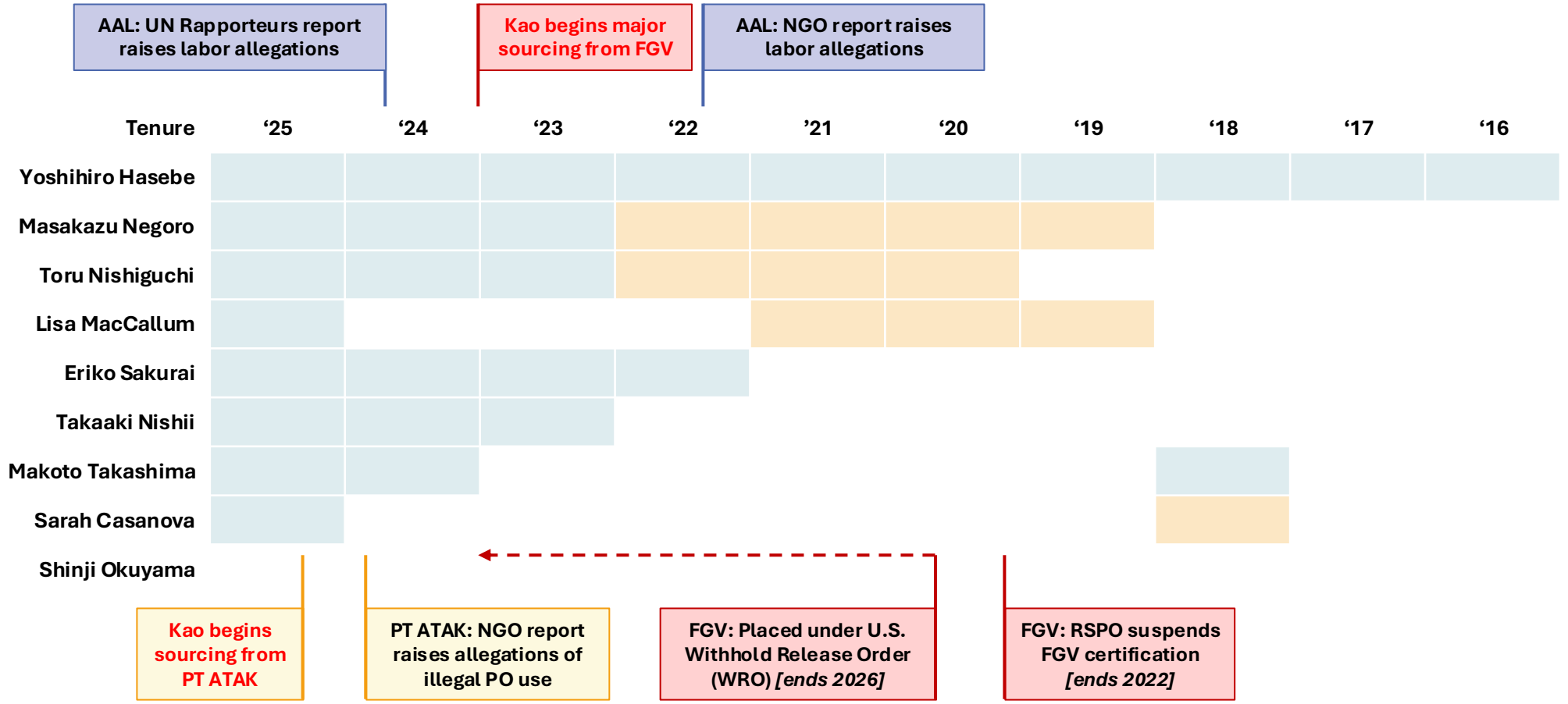
Comparative Return Since 2021 to Feb 26 (the tenure of President Hasebe) – Topix vs Kao



Risk of Conflict – Oversight

protect kao

The Board is responsible for sustainability oversight, including the implementation of strategy. Most directors were on the Board during the onboarding of high-risk suppliers.



Risk of Conflict – Oversight

protect kao

Warranted or not, more than half of the Board claim to possess the "Environment/Society" skill within the board skills matrix . By the company's own words, this is an area in which *"they are expected to make a particular contribution"* (Source). These directors are conflicted in identifying practices that may point back to their own negligence.

Name	Role	Tenure	Environment/Society" Skill in Board Skills Matrix
Yoshihiro Hasebe	President	10	●
Masakazu Negoro	Inside Director	3	●
Toru Nishiguchi	Inside Director	3	
Lisa MacCallum	Inside Director	1	●
Eriko Sakurai	Outside Director	4	●
Takaaki Nishii	Outside Director	3	
Makoto Takashima	Outside Director	2	
Sarah Casanova	Outside Director	1	●
Shinji Okuyama	Outside Director	**0**	●

kao

*The Board of Directors ensures that it has the **appropriate knowledge, experience, and competence to supervise ESG issues**. (Source)*

protect

kao

Proposed Investigation

OASIS

The Investigators

protect kao

SELECTION PROCESS: *Oasis underwent an extensive search process to identify individuals with unquestionable independence, appropriate skills, global experience, and a track record of investigations.*

	Profession	Expertise Area	Independence from Oasis	Independence from Kao
 Shinji **KUSADA**	Lawyer	Corporate Law	✓	✓

- Extensive experience in shareholder-initiated corporate investigations aimed at restoring trust and improving governance
- Served as part of the investigation team in 2021's Toshiba EGM, which led to meaningful governance reforms
- Deep expertise in Japanese corporate law and fiduciary duties

 Akira **MAEKAWA**	Lawyer / Auditor	Financial Regulation	✓	✓

- Former Financial Securities Inspector for Kanto Finance Bureau of the Ministry of Finance, brings regulatory insight to strengthen corporate disclosure practices
- Track record of helping companies navigate complex regulatory and compliance challenges
- Complementary expertise in governance disputes

 Max **CARR-HOWARD**	Lawyer	ESG Compliance	✓	✓

- Member of Dentons' ESG Advisory Board with expertise in global compliance program design and remediation
- Over 25 years' experience helping multinationals strengthen governance and internal controls across 45+ countries
- Designing best-in-class corporate risk management programs

The Investigation

protect kao

Purpose of the Investigation:

(a) Assess the adequacy and effectiveness of the Company's risk management, internal controls and board oversight relating to palm oil supply chain risks

(b) Assess the completeness and reliability of related sustainability, supply-chain and compliance disclosures

(c) Assess whether any weaknesses identified could reasonably be expected to be material to the Company's business and financial condition

(d) Compile an Investigation Report summarizing findings, conclusions and recommendations for corrective actions.

Method of Investigation & Reporting:

(a) The Investigators shall conduct the Investigation independently from both the Company and Oasis.

(b) The Investigation period shall be three months from the date of the EGM, but can be extended an additional three months

(c) The Investigators shall submit to the Company and publicly release the Investigation Report.

(d) The Investigators may request disclosure of documents and other materials and may request its officers to prepare reports on matters deemed necessary.

(e) The Investigators shall describe non-cooperation with the Investigation in the Investigation Report.

(f) The Investigators may conduct interviews with the Company's officers and employees to determine the scope of the Investigation.

(g) The Investigators may, at their discretion, expand, modify, or otherwise alter the investigation scope as necessary.

(h) In determining the Investigation Scope, the Investigators shall consider the Company's costs and resource allocation.

(i) The Investigators may appoint external experts as assistants.

“Long-standing best practices, in line with the Japan Federation of Bar Associations, call for an independent investigation to ensure objectivity, independence and neutrality.”

Key Questions (1/2)

protect kao

Risks of Inaction

- To what extent are **reputational risks** from supply-chain controversies **identified, escalated, and addressed** within Kao's risk management processes?
- To what extent does Kao **assess and mitigate operational disruptions** caused by supply-chain instability or supplier governance failures?
- Can Kao confirm that all palm-oil suppliers currently **comply with EU deforestation and forced-labor regulations and regulatory action applicable to products sold in the EU and US?**
- To what extent has **Kao disclosed sufficient information for stakeholders to assess the extent of palm-oil-related reputational-linked financial risks** and the effectiveness of current mitigation mechanisms?

Problematic Supplier Relationships

- Has Kao considered the **risks it is exposed to** as a result of its joint venture with Apical?
- Why did Kao's "due diligence" **not entail an investigation of RGE** until this moment?
- How did Kao **engage with RGE** over the controversies it faced?
- Did Kao consider the **effects on its potential growth** of sourcing from FGV while the group was under a U.S. import ban?
- Did Kao conduct an **independent review of FGV's labor practices** before increasing sourcing in 2024?
- Can Kao confirm whether it has sourced from AAL **while it was the subject of reports released by NGOs**? Moreover, if it **increased its exposure** to AAL in this time?
- If Kao has no direct or indirect transactions with AAL, why does it appear **so frequently** in its mill lists?
- What are Kao's **due diligence mechanisms** to ensure that palm oil or PKO from AAL's mills are not being used?
- Can Kao confirm that it sourced from PT ATAK in 2025, while PT ATAK was **suspended by peers**?
- To what extent does Kao continue sourcing from entities while they are the **subject of reports by NGOs and intergovernmental organizations**?
- To what extent has Kao initiated new relationships with suppliers that have been **suspended or placed on no-buy lists by its peers**?
- To what extent has Kao sourced from suppliers **publicly linked to material environmental or human rights allegations** in the last three years?
- To what extent has Kao significantly increased sourcing relationships with suppliers that have been **subject to government trade restrictions** from a country in which Kao's products are sold?
- Why is Kao's **risk appetite for problematic suppliers** different from its own institutional investors?
- Has Kao 's **satellite monitoring picked up deforestation** linked to the palm oil mills it sources from?
- How can investors gauge Kao's risk exposure when its sole transparent disclosure regarding its palm oil supply does **not depict an accurate representation** of this key supply chain?

Key Questions (2/2)

protect kao

Questionable Risk Management

- Did Kao's **supplier policies, due diligence, and onboarding processes** adequately identify ESG and controversy risks **before and during engaging high-risk suppliers**?
- Do Kao's grievance mechanisms **effectively capture and address supply-chain violations** across Kao's **full palm oil supplier network**?
- Does Kao's grievance list reflect the **most up to date and relevant information** relating to the palm oil supply chain that the company has access to?
- Do Kao's internal controls and audit processes **extend to supply chain risks** and **ensure high-risk suppliers are identified, escalated, and remediated**?
- How are corporate communications and branding executives **appropriate for addressing significant sustainability risks within key supply chains?**
- When proposed a **supply chain expert in the lead up to the 2025 AGM, Yannis Skoufalos**, why did Kao not perceive this skillset to be necessary on the Board?
- In searching for new board candidates, why has Kao appeared to **neglect risk management** (of any kind) skill on the Board?
- Why should Kao have an **ESG External Advisory Board** when sustainability expertise – and challenge resulting from these directors - should be extensively covered on the Board?
- Regarding Kao's **internal assessment of its controls in response** to Oasis' concerns:
    - What was the **scope of the review**, in terms of both the extent of controls and the time period covered?
    - What **criteria were used** (e.g. regulations, international frameworks, external standards)?
    - Were any **recommendations and action plans** discussed with management?
    - Was there an **external auditor or independent auditor** involved in the review?

Concluding Remarks

Oasis is Exercising its Rights

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There are several avenues through which shareholders can exercise their rights. Investors have leveraged these to address sustainability-related controversies:

Meetings with Management	**Vanguard engaged with Sime Darby Plantation,** a palm oil producer, regarding its allegations of forced labor.
Votes Against Directors	**Schroders voted against an ADM board member in 2025,** citing the company's material exposure to commodities and not taking enough action on mitigating the risk.
Divestment	**Norges Bank Investment Management excluded all group companies** of AAL's parent companies from its Government Pension Fund Global, citing sustainability risks.
Shareholder Proposals	**Oasis** has engaged with Kao on this topic but has not received an adequate response. It is therefore exercising its shareholder right to escalate to protect Kao.
	Many of Kao's top holders have submitted shareholder proposals relating to ESG risk – including **Norges Bank IM**, **Fidelity International**, and **UBS Asset Management**.

An Investigation is NECESSARY

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Oasis is exercising its rights as a shareholder to **seek greater transparency and oversight** of palm oil sourcing practices. The objective is to **ensure alignment between Kao's public commitments and its supply chain practices.**

Without sufficient transparency in sourcing, investors may be **unable to assess whether Kao's supply chain risks align with their mandates or expectations.**

Why a shareholder-mandated investigation is necessary:

- Oasis' due diligence points to significant misalignments on ESG which is fundamental to the Company's equity story - **a material issue for shareholder value**.
- **Conflicts exist at board-level** as oversight mechanisms will be a central focus of the investigation which conflicts board selection of investigators or influence over scope.
- Investigators given a mandate by shareholders will be empowered to act in full independence from management and **determine the root cause without bias**.

How an investigation will benefit all shareholders:

- Greater transparency on supply chains that impact 100% of Kao's revenues will give **greater clarity of investment risk to shareholders**.
- A thorough investigation will **build confidence in Kao's ESG communications** and commitments.
- Outside interrogation of practices will **promote the adoption of stronger oversight of supplier risks**.
- **Promote higher standards across the industry** around comply or explain regarding the NDPE Policy.

VOTE FOR

ITEM #1

Protecting the value of your investment in Kao

Independent Assurance of Material Supply Chain Risks

Clarity on Kao's risk management practices and approach

Robustly challenging Kao's flawed oversight structures

OASIS

Appendix

1. Investigator Profiles
2. Oasis Rebuttal

[1] Investigator Profiles

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SHINJI KUSUDA



Managing Partner, Hillford Law Office
Director, Tsuzuki International Scholarship Foundation
Adjunct Professor, Keio University

- Managing Partner of Hillford Law, advising on **corporate governance, investigations, and shareholder-related disputes**
- Experience in shareholder-initiated investigations and governance matters, including the **2021 Toshiba EGM investigation**
- Highly commended in **The Best Lawyers in Japan™**
- Teaches courses at **Keio University on corporate governance**, corporate law, and other corporate matters.

Prior & Current Positions

April 2005	Joined Nomura Securities Co., Ltd.(formerly Lehman Brothers Japan Inc.)
December 2013	Registered as Attorney (Dai-Ichi Tokyo Bar Association), joined O'Melveny & Myers LLP
April 2014	Director, Tsuzuki International Scholarship Foundation (current position)
April 2018	Adjunct Professor, Keio University (current position)
October 2025	Established the Hillford Law Office

[1] Investigator Profiles

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AKIRA MAEKAWA



Partner, Iota Law Office
Auditor, Kanagawa Shinkin Bank

- Former **Financial Securities Inspector** for Kanto Finance Bureau of the Ministry of Finance, bringing **regulatory insight to strengthen corporate disclosure practices**
- Experience serving as outside director and auditor, providing **independent oversight of corporate management**
- Track record of helping companies **navigate complex regulatory and compliance challenges**
- Complementary expertise **in governance disputes**

Prior & Current Positions

April 1999	Registered as Attorney (Dai-Ichi Tokyo Bar Association), joined Okamura General Law Office
February 2006	Financial Securities Inspector at the Kanta Local Finance Bureau of the Ministry of Finance
January 2008	Joined Masuda Partners Law Office
August 2009	Established the Akira Maekawa Law Office
February 2011	Joined Iota Law Office
April 2016	Vice President, Dai-ichi Tokyo Bar Association (until March 201 7)
June 2021	Auditor, Kanagawa Shinkin Bank (current position)

[1] Investigator Profiles

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MAX CARR-HOWARD



Partner, Co-Chair of Global Compliance and Investigations Practice, Dentons US LLP

- **Former U.S. federal prosecutor** with experience investigating corporate misconduct
- **Over 25 years' experience** helping multinationals **strengthen governance and internal controls** across 45+ countries
- Member of Dentons' **ESG Advisory Board** with expertise in global compliance program design and remediation
- Works on **cross-border investigations and global anti-corruption compliance matters**

Prior & Current Positions	
1996	Registered as Attorney, served as a Judicial Law Clerk for the United States District Court, District of New Mexico
1999	Assistant United States Attorney, U.S. Department of Justice
2002	Partner, Husch Blackwell LLP
2013	Partner, Dentons US LLP

[2] Oasis Rebuttal

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Extract from Kao (19 March 2026 Press Release)	Oasis Response
APPROACH TO PROBLEMATIC SUPPLIERS: *"… the Company conducts due diligence and ongoing monitoring of environmental and human rights practices among its raw material suppliers.* ***When issues are identified, the Company conducts detailed investigations and engages with suppliers to implement corrective measures****. Where sufficient progress is not achieved, the Company takes appropriate measures, including the suspension of purchases.* ***The Company confirms improvements through dialogue and engagement and resume procurement after such improvements have been confirmed****. This approach is intended not to sever business relationships uniformly, but to encourage improvements and enhance sustainability across the supply chain."*	Kao's choice to treat problematic suppliers with an "engage and monitor" approach builds the onus on the Company to be transparent about what risk they are exposed to during this process. Peers also take this approach, however, their level of disclosure builds far greater confidence in the management of supply chain risk. Kao do not offer transparency on how often suppliers are suspended, under what thresholds, or with what outcomes, limiting investor ability to assess effectiveness. As Oasis' research has identified high-risk suppliers in the supply chain, significant questions are raised as to whether this approach is being implemented with an appropriate level of stringency, commensurate with the risk appetite of Kao shareholders.
FOOD COMPANY COMPARISONS: *"As the composition and use of raw materials differ among companies,* ***companies whose businesses focus primarily on food applications differ from the Company in their uses of palm oil, required quality specifications, and business structures****. Accordingly, when comparing palm oil usage across companies, it is important to take these differences into consideration."*	Kao contend that food producers are not appropriate peers to compare with, however, Oasis' main contention is the sourcing of palm oil from problematic suppliers connected with significant controversies. All palm oil intensive companies should be expected to effectively screen this risk.
DISCLOSURE LIMITATIONS: *"With respect to the treatment of raw materials in sustainability reporting, there are cases where the entire supply chain is broadly captured, and such* ***disclosures do not necessarily directly indicate the actual quantities used or the degree of operational dependence on a particular raw material****. Therefore, when evaluating the Company's use of raw materials, it is important to consider not only disclosure definitions and assumptions but also the actual purposes and conditions of use."*	Kao hides behind market-wide disclosure limitations, however, fails to address the shortfalls in its own disclosures compared to peers – relating to the grievance mechanism, for example.
RSPO COMPLIANCE: *"For all raw material procurement, the Company advances responsible sourcing in accordance with its Procurement Basic Policy. *1* ***In fiscal 2025, the Company achieved a 100 percent RSPO-certified procurement rate for palm oil and palm kernel oil****."*	Kao has not publicly released the data for the 100% RSPO-certified procurement rate figure. Data from its 2024 RSPO APCO show that it had a 38.6% procurement rate, suggesting a large jump year on year. In Kao's certified oil procurement update, Kao disclosed that Book and Claim accounted for 88% of its RSPO-certified palm oil volume in 2025. Kao do not address the risks of their reliance on low-grade RSPO certification (i.e. book and claim) and sourcing from problematic suppliers despite RSPO certification.

[2] Oasis Rebuttal

protect kao

Extract from Kao (27 March 2026 EGM Notice)	Oasis Response
RESULTS OF SELF-ASSESSMENT: *"… **the Board of Directors received a report on the results of its review** of the points raised by the Requesting Shareholders and, following deliberation, determined that **no facts have been identified that indicate any material deficiencies in the Company's internal control system**. Accordingly, the Company has determined that there is no need to conduct any additional investigation by external experts at this time."*	Kao's self-assessment finding no issues with the internal control system is insufficient to building confidence in operational oversight and supply chain risk where credible external allegations exist. Absence of findings does not equal absence of risk.
ADHERENCE TO POLICIES AND GUIDELINES: *"The Company operates with robust supply chain management processes, which include supply chain management initiatives and **policies for the responsible procurement of raw materials**, as well as human rights due diligence. The Company… conducts its business activities **in accordance with its policies**, which are based on **international guidelines and frameworks** such as the "United Nations Guiding Principles on Business and Human Rights.""*	Kao points to its policies and governance structures as proof of good practice. Oasis disagrees - not with the existence of those frameworks, but with whether they actually work. The real issue is whether Kao's oversight is effective enough given its exposure to problematic suppliers.
INTERNAL REPORTING: *"**The Board of Directors regularly receives reports on the progress of sustainability initiatives, the effectiveness of risk management systems within the supply chain,** and the adequacy of related disclosures, and has requested improvements from management as necessary."*	Kao asserts strong internal reporting and oversight of sustainability and risk management, however, fails to address how the skill profile of the Board is appropriate to challenge management information.
ESG RATINGS: *"Importantly, the Company's sustainability and supply chain management initiatives have received **strong ratings by multiple external ESG assessment bodies**, placing the Company above peer averages within the industry."*	Kao's use of ESG Ratings as validation disregards the appropriateness of these measures in representing these risks. Moreover, Kao's MSCI Rating has recently decreased driven by deterioration of the Raw Materials Sourcing score.
IOI GROUP SANCTIONS: *"As a specific example demonstrating the effectiveness of this approach, **when the IOI Group, a major supplier, had its RSPO certification suspended due to unauthorized land development and development on peatland**, the Company fully suspended purchases of certified oil from the group, and suspended purchases of palm kernel oil except for the minimum volume necessary to maintain ongoing production. Thereafter, the Company continued its engagement and monitoring and resumed transactions after confirming the implementation of action plans for remediation."*	See slide 58

[2] Oasis Rebuttal

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Extract from Kao (27 March 2026 EGM Notice)	Oasis Response
EXPOSURE TO PROBLEMATIC SUPPLIERS *"Accordingly, the Company has **no direct or indirect transactions involving palm oil or palm kernel oil with those suppliers, except for the Royal Golden Eagle (RGE) Group (as described below) and Felda/FGV Holdings (FGV)**."*	See Slide 54
GRIEVANCE MECHANISM – EFFECTIVENESS *"The Requesting Shareholders have asserted that the Company's grievance mechanism is limited in scope and not accessible to key stakeholders. **The Board of Directors believes that this assertion does not fully reflect the purpose and structure of the Company's system**. The Company has established a **multi-layered system for receiving grievances and reports across its supply chain**. The "Kao Compliance Hotline" functions as a channel accessible to a wide range of stakeholders, including business partners within the supply chain, and reports and consultations are also accepted through various contact points within relevant departments"*	Oasis' assertion that the grievance mechanism is unclear relative to the full supply chain remains valid. It is also unclear whether the compliance hotline is an effective channel for raising palm oil-related grievances beyond the smallholder program. This limited scope reduces the ability to detect issues early.
GRIEVANCE MECHANISM – SCOPE *"The Company has this **[grievance] mechanism in operation for independent smallholders in Indonesia and plans to expand its coverage to additional regions in a phased manner**. The mechanism accepts a broad range of inquiries, including not only issues related to environmental and human rights concerns, but also matters such as productivity improvement and farm management. It is therefore **positioned not merely as a complaint-handling system, but as a framework for providing support tailored to local conditions**."*	Kao is claiming its Grievance Mechanism is sufficient, however, there is a significant difference in scope and content between peers' grievance lists and Kao's and Kao's does not provide material information on human rights and environmental controversies, it focuses mostly on the broader topics of pesticide use, farming techniques, etc. Kao's assertion that they will expand their grievance mechanism is an admission of its limited scope.
CDP DISCLOSURE *"… the figures referenced in the CDP questionnaire reflect the proportion of revenue attributable to product categories that use these raw materials, and **do not represent the actual usage volumes of the raw materials** themselves or their share in total procurement. For example, palm oil accounts for approximately 20% of total raw material procurement."*	Kao's attempt to contradict its own disclosures by denying that 100% of revenues are reliant on palm oil attempts to minimize the materiality of this issue when having 100% of revenues reliant on palm oil makes this an incredibly material issue. There is a separate question in the CDP report on procurement spend related to palm oil, distinct from revenue dependence.

[2] Oasis Rebuttal

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Extract from Kao (27 March 2026 EGM Notice)	Oasis Response
ESG GOVERNANCE *"While the Representative Director, President and CEO serves as Chair of the ESG Committee,* ***the Committee provides semiannual reports to the Board of Directors****, which is composed of a majority of outside directors, as well as* ***reports on strategic policies, target setting, and progress against KPIs and related activities****. The Committee is subject to effective oversight by the Board. In addition, the Board of Directors not only receives reports on ESG-related policies and targets but also has the authority to* ***require corrective action where necessary and has exercised such authority in practice****."*	Board oversight of the ESG committee does not negate the potential conflicts in the Board assessing this matter. The ESG Committee is comprised partly of management, therefore the information received by the Board when exercising its oversight of the ESG committee, is controlled by management.
ESG-RELATED PAY KPIs - OVERSIGHT *"In addition, the* ***incorporation and evaluation of ESG-related KPIs in the compensation framework are conducted based on objective evaluation indicators****... and are reviewed annually by the Directors and Executive Officers Compensation Advisory Committee, which is composed of all five outside directors and the President and CEO, and subsequently approved by the Board of Directors, a majority of whose members are independent outside directors."*	Concerns remain over the high weighting of ESG metrics in pay. These concerns are heightened by management's failure to deliver value through quantitative financial measures.
COMPLIANCE LEADERSHIP *"It should be noted that* ***Mr. Hasebe, the Representative Director, President and CEO, was in charge of compliance only until December 31, 2020****... Furthermore, with respect to reports involving directors, executive officers, or other senior personnel, such matters are immediately reported to the Audit & Supervisory Board members and the Chair of the Compliance Committee and are subject to appropriate investigation and response in accordance with established procedures."*	This does not address whether supply chain risks have been adequately identified and mitigated under the current structure, particularly in light of continued exposure to high-risk suppliers. Moreover, President Hasebe remains ultimately responsible as the compliance function sits within his responsibilities.
ESG ADVISORY BOARD *"... the Company has an* ***ESG External Advisory Board****, composed of external experts, as a body that provides recommendations and advice in response to consultations from the ESG Committee. To further advance the Company's sustainability initiatives, the Company is strengthening the composition of its members and* ***will establish a framework under which the Board receives reports and advice from this Advisory Board from an independent perspective****."*	Despite the company having an external advisory ESG board, the Board and senior management are responsible for overseeing and evaluating the effectiveness of supply chain controls, including during the period in which high-risk supplier relationships were established. This reinforces the need for external investigation.