

# A Vital EGM to Protect Kao

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# Oasis is Calling an EGM

## An Independent Investigation Is Vital to Protect Kao

- **Whistleblowers approached Oasis with concerns over Kao's risk management and internal controls.**
- **Independent environmental researchers commissioned by Oasis following the allegations raised further risks.**
- Amongst others, the research found that Kao has:
  - Exposure to suppliers with purported links to deforestation, human rights violations and land seizures that Kao's peers have suspended due to the reported concerns
  - Overly narrow grievance mechanism
  - Insufficient disclosure on pulp/paper suppliers

### The stakes are high

- Kao says 100% of its revenues depend on palm oil and 71-80% on paper/pulp supply.
- Without investigating and remedying any substantiated issues, the Company may face regulatory risks, brand damage, and management credibility questions that erode corporate value.

### Governance conflicts prevent credible internal review

- A significant portion of management's performance-based share incentive compensation is directly linked to ESG metrics.
- When management controls the metrics and benefits financially from their reported outcome, shareholders cannot rely on an internal review to be without inherent bias.

We are  
calling an  
EGM

to appoint an independent investigation to protect stakeholder interests and ensure any necessary reforms to risk management are implemented.

# High Stakes

Whistleblowers raised serious allegations about Kao's risk management and internal controls which were substantiated by third-party environmental researchers.

The evidence suggests Kao's disclosures and practices may pose serious risks to corporate value:

## POSES RISK TO CORPORATE VALUE

- Reputational risk could impair consumer and investor trust in management and brands
- Potential violations of overseas regulations that would impede overseas growth critical to restoring Kao's revival
- Loss of revenues could lead to higher cost of capital and limit Kao's ability to compete

## DEMONSTRATES STRUCTURALLY POOR RISK MANAGEMENT

- Increasing exposure to suppliers linked to deforestation and human rights abuses, violating Kao's own policies
- Onboarding suppliers expelled from peer supply chains
- Reporting mechanisms that prevent identification of serious compliance violations

## SIGNIFICANT EXPOSURE TO SUPPLY CHAIN RISKS

- Kao says 100% of its revenues depend on palm oil and 71-80% on paper/pulp supply<sup>1</sup>.
- Without investigating and remedying these issues, the Company will face regulatory risks, brand damage, and management credibility questions that erode corporate value.

# High-Risk Suppliers to Kao

| SUPPLIER GROUP                          | STATUS                                   | KEY ISSUES IDENTIFIED IN PUBLIC RECORDS  |
|---|--|--|
| <b>FGV/FELDA</b><br>(70+ mills)         | Largest mill supplier;<br>onboarded 2024 | <ul style="list-style-type: none"> <li>• <a href="#">US CBP import detention order</a> due to forced labor, child labor, sexual violence (2020-26)</li> <li>• <a href="#">New RSPO mill accreditations</a> suspended <a href="#">since 2020</a></li> <li>• On <a href="#">Unilever’s no-buy list since 2018</a></li> </ul>                                     |
| <b>RGE Group</b><br>(88+ mills)         | JV partner + supplier                    | <ul style="list-style-type: none"> <li>• Group Co has public <a href="#">record of violent attacks on indigenous communities</a> (Sept 2025) and Forest Stewardship Council (<a href="#">FSC</a>) <a href="#">suspended</a></li> </ul>   |
| <b>Astra Agro Lestari</b><br>(12 mills) | Major supplier; increased sourcing       | <ul style="list-style-type: none"> <li>• <a href="#">Cited by UN Special Rapporteurs</a> for land grabbing, intimidation and environmental harm;</li> <li>• <a href="#">Group Companies</a> were excluded by Norges Bank from investment portfolio;</li> <li>• <a href="#">BlackRock voted against board</a>; peers suspended sourcing from company</li> </ul> |
| <b>First Resources / Fangiono Group</b> | Onboarded 2025                           | <ul style="list-style-type: none"> <li>• <a href="#">Alleged by NGOs</a> to be one of Indonesia's largest deforesters</li> </ul>   |
| <b>Citra Borneo Indah / SSMS</b>        | Onboarded 2024                           | <ul style="list-style-type: none"> <li>• <a href="#">4,470 hectares reported to be deforested</a> since Kao's cutoff date for NDPE enforcement;</li> <li>• Ongoing clearing reported 2024-2025; on <a href="#">Unilever’s “no-buy” supplier list since 2017</a></li> </ul>   |
| <b>PT ATAK</b>                          | Onboarded 2025                           | <ul style="list-style-type: none"> <li>• <a href="#">Peers suspended supplier in 2024</a> <b>BEFORE</b> Kao onboarded due to deforestation concerns</li> </ul>   |
| <b>Abdi Budi Mulia</b>                  | Supplier since 2021                      | <ul style="list-style-type: none"> <li>• 11,630 hectares <a href="#">reportedly cleared between 2019-2023</a>; deforestation reported to <a href="#">continue into 2025</a></li> </ul>   |
| <b>Grupo Oleoflores</b>                 | Onboarded 2024                           | <ul style="list-style-type: none"> <li>• <a href="#">RSPO complaint (Jan 2025)</a>: alleged land grabbing, deforestation, water dispossession; on <a href="#">Louis Dreyfus no-buy</a> list</li> </ul>   |

# An Independent Investigation is Vital

Management is conflicted



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

The individuals responsible for these issues cannot impartially investigate themselves.

**Yoshihiro Hasebe**

Director



Chairs Kao's ESG Management Committee while **40% of the variable portion of his share-based incentive is linked to ESG metrics he oversees**

**Masakazu Negoro**

Director



As head of Chemicals **was key in forming Kao's JV with RGE/Apical – a group suspended by industry certification groups and accused of deforestation**

**Lisa MacCallum**

Director



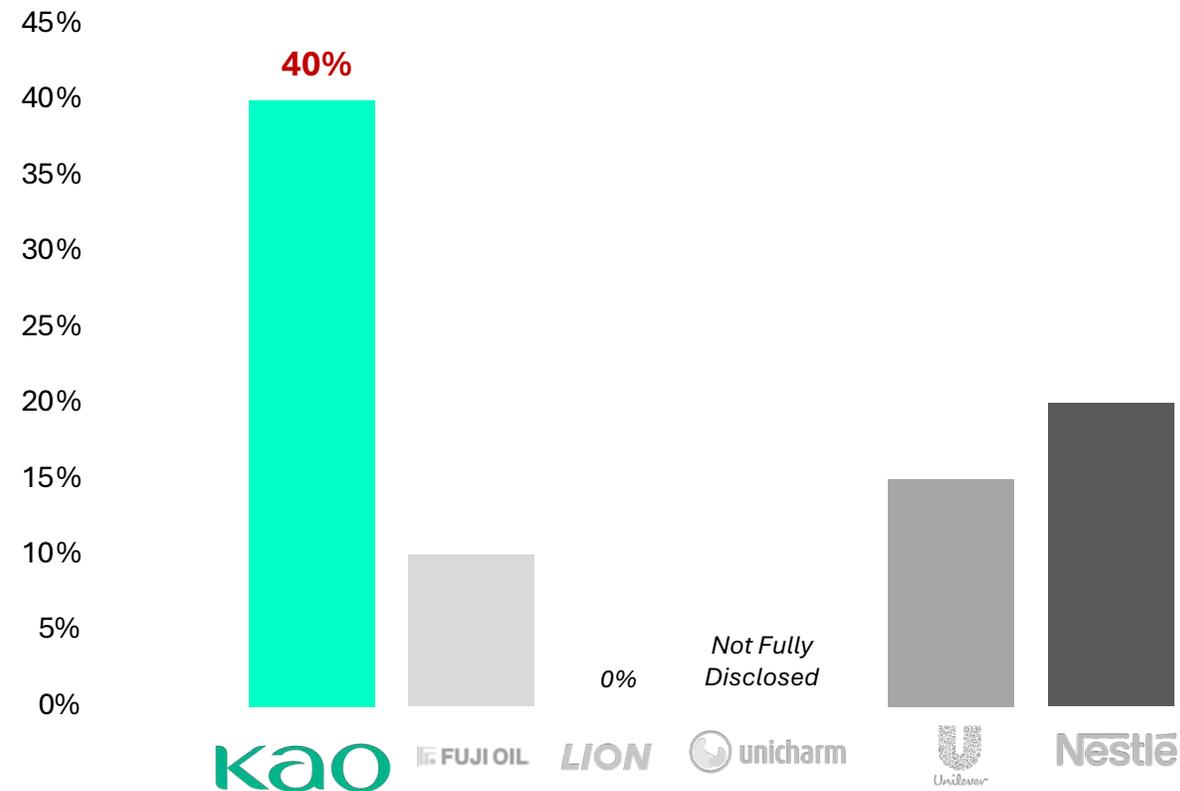
**Served on ESG External Advisory Board** shaping the initiatives under question, and told Oasis there is "no concern at all of greenwashing at Kao"

# Executive Pay: Conflicts of Interest

President Hasebe’s pay increase has been driven by KPIs unrelated to operating performance – including 40% of the variable portion of his performance-based share incentive plan linked to “ESG metrics”.

- The weight of ESG in Kao’s executive compensation scheme exceeds those of domestic peers; and even those of large European consumer goods who are viewed as leading proponents of ESG.
- Indeed, **very few companies internationally OR domestically weight “ESG” this high in their executive compensation.**
- Additionally, **President Hasebe sits on the compensation committee** that formulates Kao’s incentive scheme.

ESG As % of Variable Long Term Incentive Scheme



# Core Concerns

01

## Supply Chain Integrity

- Do Kao's sustainability practices align with its public commitments and NDPE policy?
- What is the basis for decisions to onboard suppliers suspended by peers for reported deforestation and human rights violations?
- Are Kao's monitoring systems effective, given that they appear to miss violations detected by others?
- Is Kao's grievance mechanism adequate, given that it is limited to just 309 smallholder farmers?

02

## Disclosure Credibility

- Does reliance on lowest-grade RSPO certification contradict representations of sustainable sourcing progress?
- Are traceability metrics (e.g., mill-level mapping) being conflated with NDPE compliance?
- Is Kao's grievance resolution reflective of genuine compliance, or a mechanism designed to exclude serious violations?

# Independent Investigation is the best solution

## The SITUATION

### Supply Chain Risk

Kao's supply chain includes groups suspended by peers and flagged by regulators

### Governance Conflict

Governance structures link executive pay to ESG metrics overseen by the same executives

### Board Credibility

Board cannot credibly self-investigate

## The RISK

### Regulatory / Compliance Exposure

Regulatory exposure (EUDR), brand damage, stranded supplier relationships

### Governance and Disclosure Risk

Disclosure credibility questions, investor confidence erosion amid conflicts of interest

### Business Valuation Risk

Continued uncertainty, unresolved questions, sustained discount to peers

## The SOLUTION

### Independent Review for Risk Prevention

Independent review to identify gaps before they become reputational brand crises and derail growth

### Transparency for Stakeholders

Transparent assessment would restore trust and accountability

### Shareholder Mandate for Independence

Shareholder-mandated review provides independent verification

# Vote For an Independent Investigation

## Qualified, Independent, Experienced

Appoint three independent investigators from external law firms to examine failures in Kao's ESG risk management & internal controls and assess the threat to Kao's long-term growth strategy.

### SHINJI KUSUDA

- 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

- 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

- 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 Report

# The Independent Report

Following whistleblower allegations Oasis received of serious supply chain risk management failures centered around human rights abuses and sustainability issues on Kao's supply chain, we commissioned third-party environmental experts to investigate these reports.

The report based on publicly sourced information raises serious questions regarding the credibility of the Company's ESG initiatives and sustainability claims made by management, including:

01

**Kao's commitment to supply chain sustainability**

03

**Transparency of Process**

02

**Violations of Kao's ESG Policy**

04

**Willingness to Onboard Suppliers Accused of Deforestation & Human Rights abuses**

# The Findings

Kao's professed ESG management falls far short of what domestic and international peers are doing to ensure that environmental and social standards are met in supply chains for critical commodity inputs.

## Grievance Mechanism

Restricts input, potentially skewing compliance violations and ESG controversy ratings while domestic peers make efforts to clean up

## Toxic Partners

Retains JVs with corporate groups suspended for deforestation and violence against local communities

## Blind Monitoring

Claims to use satellite tracking yet consistently "misses" deforestation caught by others  
No apparent onsite monitoring of high-risk suppliers since 2019



## Onboards Violators

Sources from notorious bad actors already banned by domestic and international competitors

## Human Rights

Top mill group partners have faced UN and US investigations for debt bondage, sexual violence, suspected child labor and severe environmental damage resulting in exclusion from large SWF investment portfolios

## RSPO Laggard & Poor NDPE Disclosure

Trails domestic and international peers in uptake and quality of sustainable palm oil.  
Lack of transparency in pulp & timber supply chain

**Independent expert report available at link below**

[SUMMARY REPORT](#)



# Material Business Risk, Not Just ESG

Public data raises serious questions about Kao's sustainability practices and the accuracy of its Sustainability Report and ESG claims laid out in the Yuho.

These are not peripheral concerns – they represent material risks to operations, governance, and long-term value.

## Regulatory Exposure

- Increasing institutional focus on supply chain due diligence
- International growth ambitions face increasingly strict overseas regulations, including EU Deforestation Regulation and large retailers (Amazon, Walmart etc) own supply chain ethical standards

## Risk Management

- Palm oil and timber are Kao's two most material commodities
- Key supplier groups have been excluded by major investors Norges Bank for “severe environmental damage” underscoring reputational and business risk

## Governance & Compliance

- Board oversight of ESG matters has been inadequate
- ESG metrics used to justify executive pay increases appear compromised
- Internal review cannot be independent

# Soft Commodity Supply Chain

Kao's own CDP disclosure<sup>1</sup> shows 100% of its revenues depend on palm oil and 71-80% depend on timber products, including paper/pulp, making them the Company's biggest supply-chain risks

KAO Corporation

## 2024 CDP Corporate Questionnaire 2024

### PALM OIL

(1.22.13) % of revenue dependent on commodity

Select from:

100%

(1.22.15) Is this commodity considered significant to your business in terms of revenue?

Select from:

Yes

### TIMBER PRODUCTS

(1.22.13) % of revenue dependent on commodity

Select from:

71-80%

(1.22.15) Is this commodity considered significant to your business in terms of revenue?

Select from:

Yes



## Who is CDP?

- CDP runs the de facto global environmental impact disclosure system for investors and companies.
- It is considered to be the most comprehensive dataset on environmental reporting.

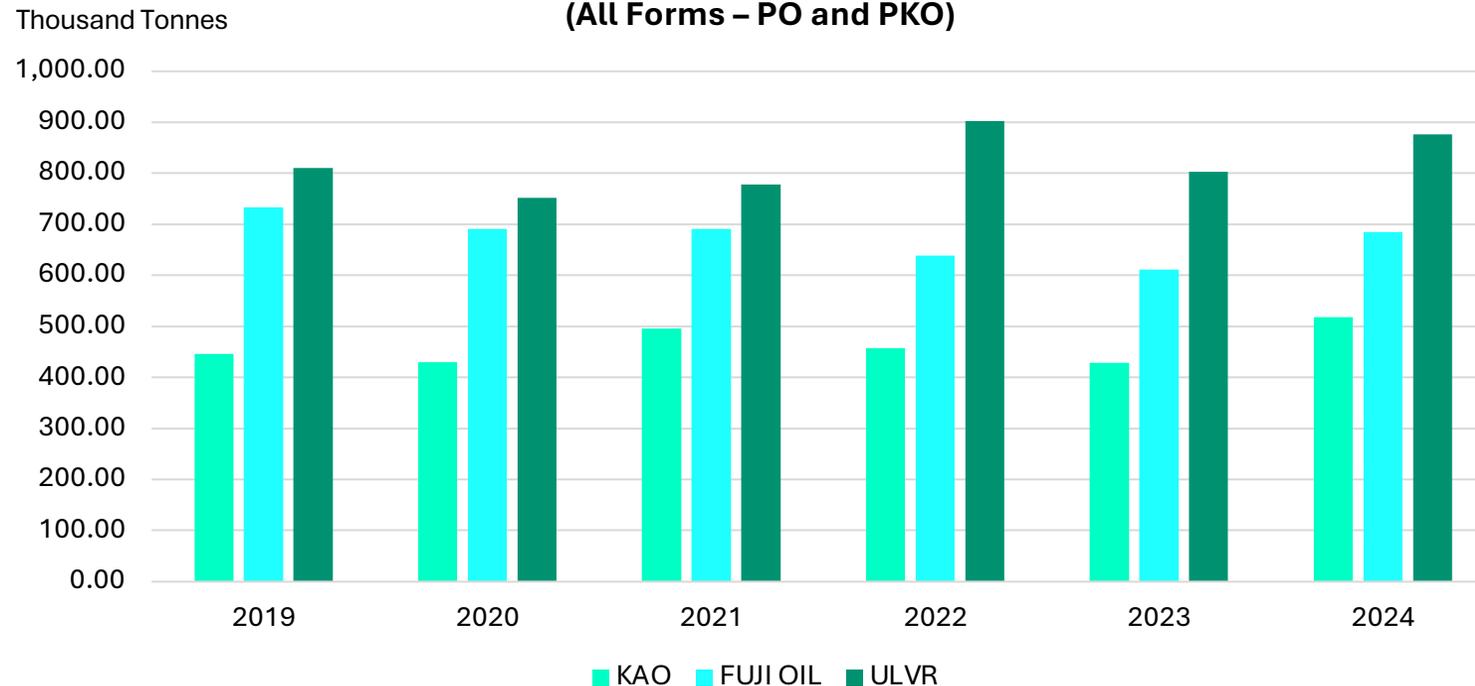
# Supply Chain

# Palm Oil Consumption

- Kao is one of the largest consumers of palm oil GLOBALLY.
- Among Japanese firms, Fuji Oil (2607 JP) is among the few names that procures more palm oil products than Kao due to its extensive trading operations.
- Both Kao and Fuji Oil are roughly comparable to Unilever, which is considered the largest user of palm oil products globally.



Annual Palm Oil Procurement  
(All Forms – PO and PKO)

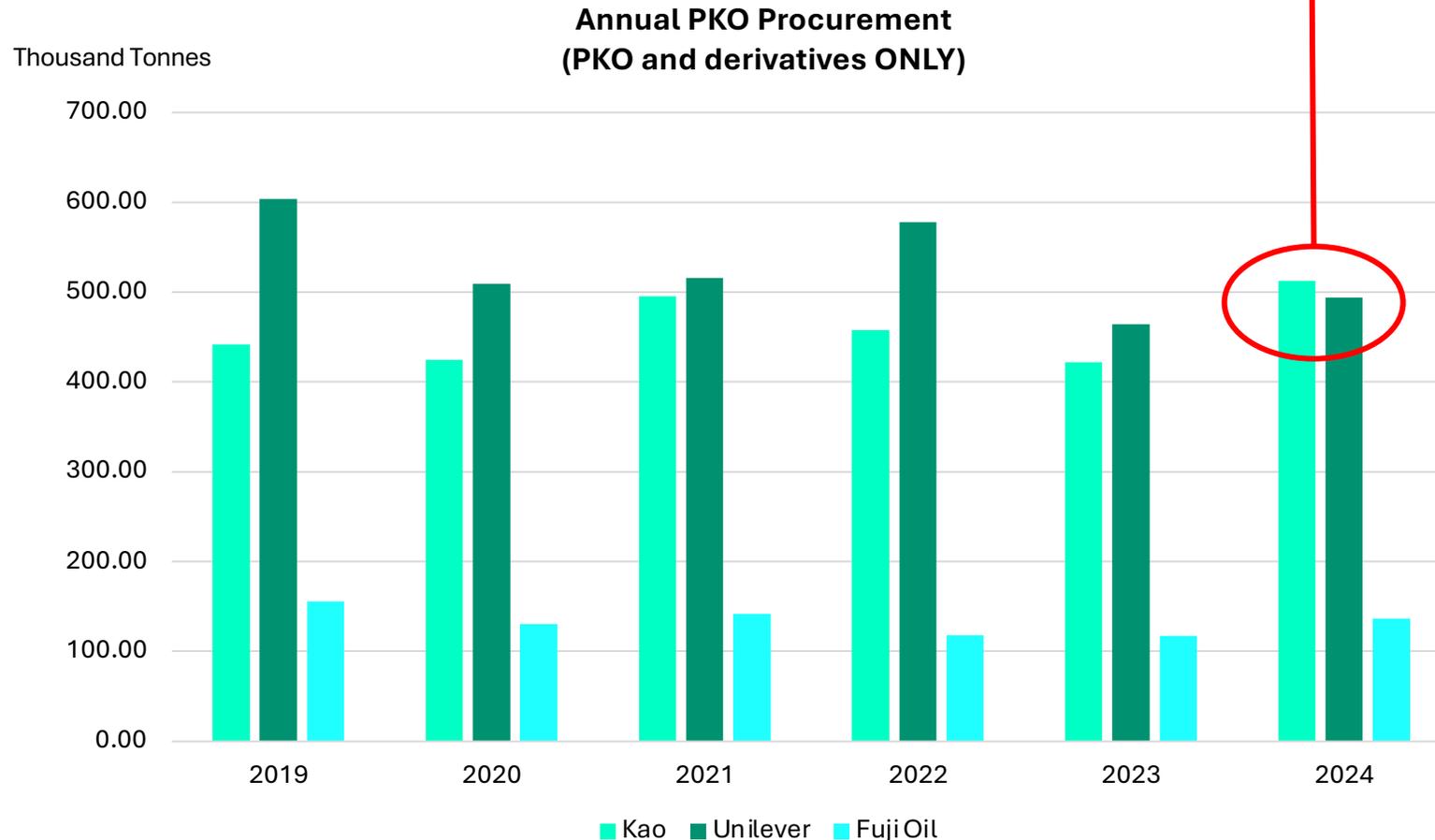


- Palm Oil is the world's most widely consumed vegetable oil due to its wide range of applications and high crop yields. 85% of palm oil is grown on two Malaysia & Indonesian islands: Sumatra and Borneo.
- Uncontrolled agriculture has contributed to deforestation and triggered land conflicts & human rights abuses.
- As a result of this negative social impact the Roundtable on Sustainable Palm Oil (RSPO) was created to encourage sustainable sourcing of palm oil products.

Source: RSPO

# Kao Surpasses Unilever in PKO Use

Kao recently surpassed Unilever in Palm Kernel Oil (PKO) procurement volume, making them one of the largest consumers globally



## What are Palm Oil (PO) and Palm Kernel Oil (PKO)?

- PO and PKO are extracted from oil palm fruit through different processes.
- PO comes from the reddish fruit pulp, while PKO is extracted from the hard stones inside the fruit. Both products are valuable but have differing properties.
- PKO's high lauric acid content make it useful for specialty fats and oleochemicals used in consumer products like soaps etc.

Source: RSPO

# Sustainability Frameworks for Palm Oil



The key frameworks promoting sustainability in soft commodity supply chains (specifically palm oil)

## RSPO

Roundtable on Sustainable Palm Oil

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)



Kao has been an RSPO member since 2007.

## NDPE

No Deforestation, No Peat, No Exploitation

A **corporate policy commitment** rather than a certification.

It mandates ethical production across the **ENTIRE supply chain**, focusing on forest and wetland conservation; and human rights.

Kao has had an explicit NDPE policy commitment in place since at least 2022.

## AFI

Accountability Framework Initiative

A guideline launched by NGOs to **standardize definitions** (e.g., "deforestation").

The standardization enables consistent benchmarking of progress.

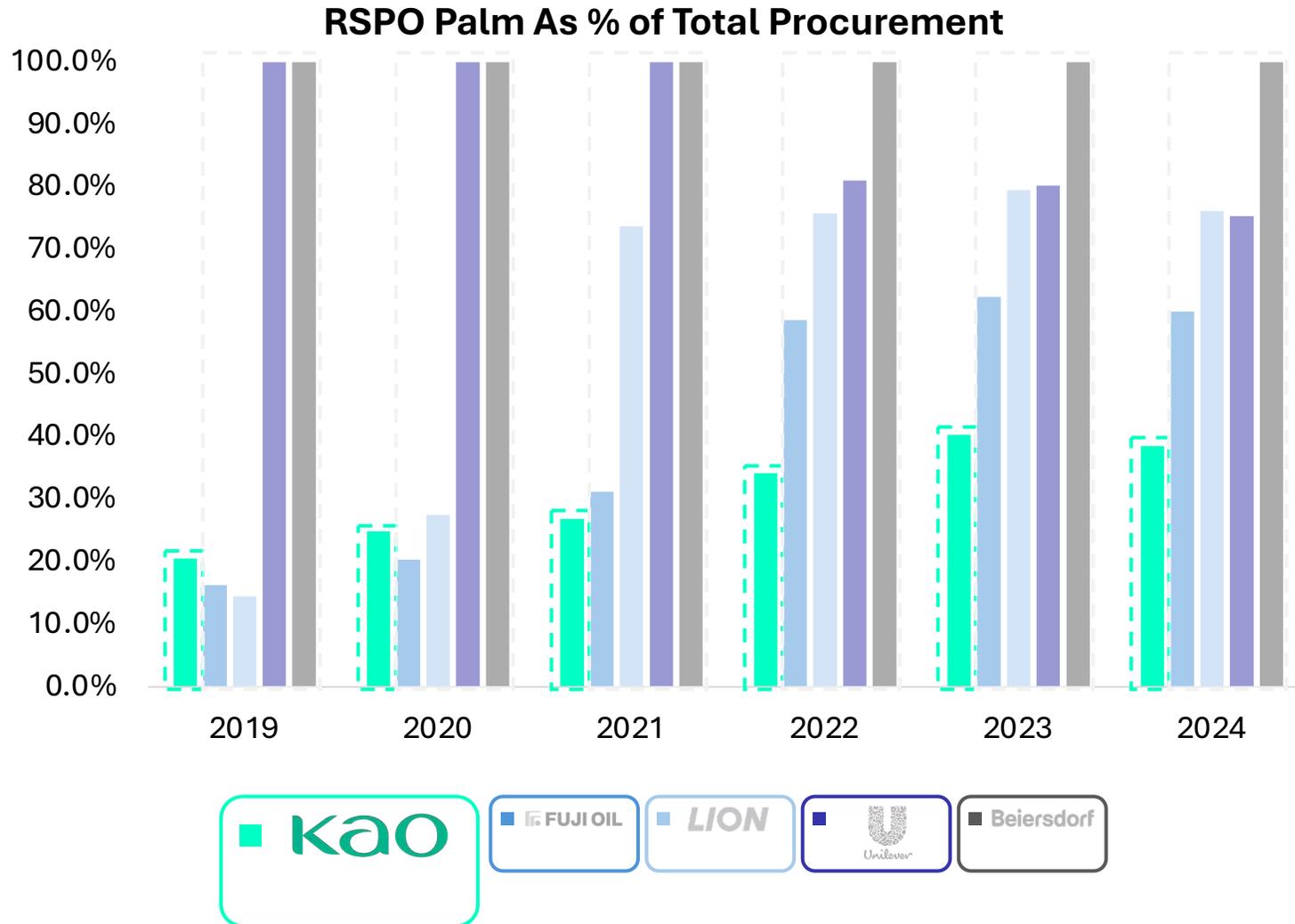


Kao uses the AFI guidelines and definitions for its NDPE policy.



To use a sports analogy – if NDPE is the game of football, AFI would be FIFA and RSPO are the referees.

# Weak RSPo Sourcing



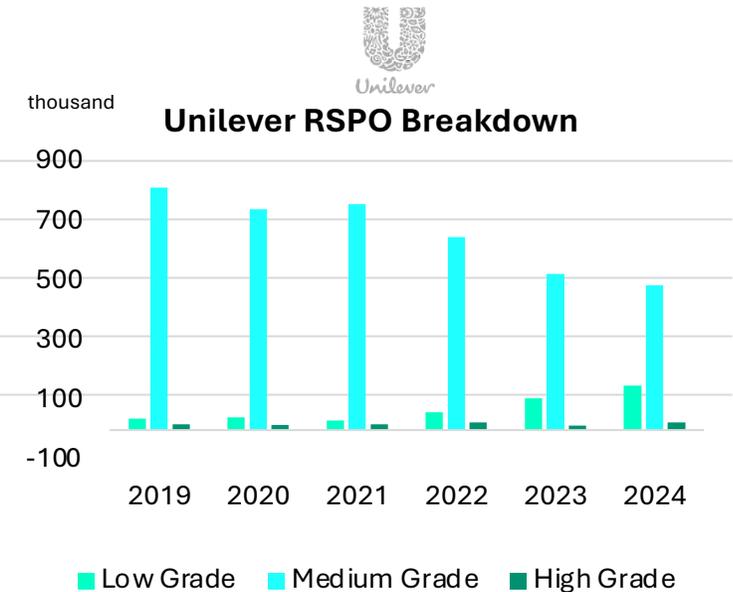
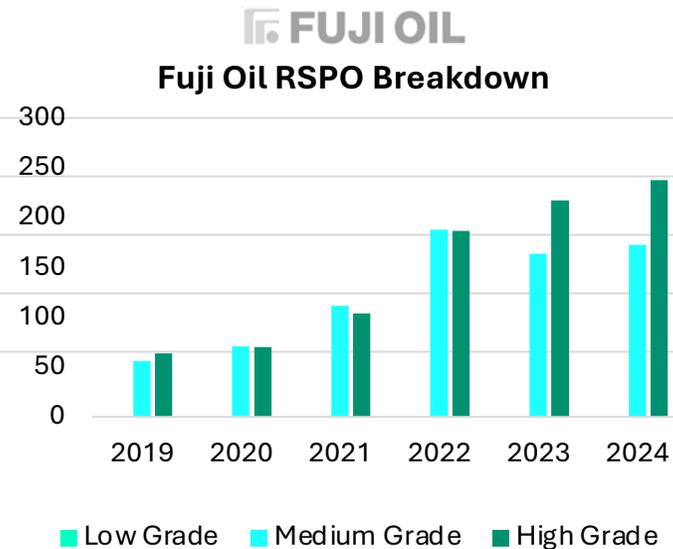
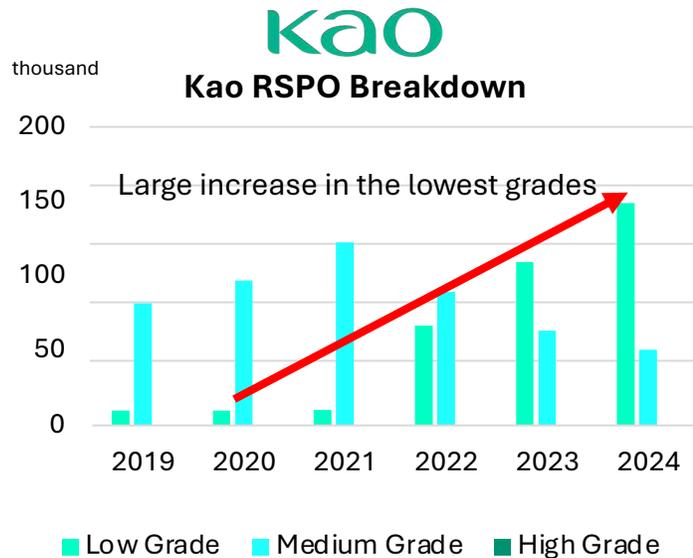
Kao's use of RSPo compliant palm is

**extremely low.**

Domestic peers, such as Lion or Fuji Oil, have made substantial strides to increase levels of RSPo compliance over the past several years – in stark contrast to Kao.



# Weak RSPO Sourcing



- Kao's low RSPO uptake is arguably worse than it appears.
- Kao purchases no high-grade RSPO palm oil, medium-grade procurement peaked in 2021, and all growth since has been in the lowest grades.
- This differs markedly from Fuji Oil's approach, where both the total amount has risen sharply and in the best grades.
- **None of Kao's competitors are similarly reliant on this weakest traceability system.**

- **High-Grade** Identity Preserved (IP) and Segregated: 100% certified origin.
- **Mid-Grade** Mass Balance (mixed certified and non-certified).
- **Low-Grade** "Book & Claim" (Credits). Buyers purchase non-compliant oil but pay mills or farmers directly for existing RSPO compliance elsewhere.

# Questionable Statements

## Yuho Statement

“ *By appropriately managing raw material procurement risks... we will reduce our environmental impact and ensure a stable supply* ”

“ *Supply Chain Investment: Continued purchase of RSPO-certified oil and support for small-scale farms / Benefits: Avoidance of palm oil procurement and reputational risks* ”

## Assessment

“Continued purchase of RSPO-certified oil” is technically true but **deeply misleading**.



The vast majority of procurement is **NOT RSPO-certified**.



The small portion that *is* certified falls under the **lowest quality category**.



The company is **actively onboarding suppliers that are in violation of its own NDPE policy**.

# NDPE & AFI

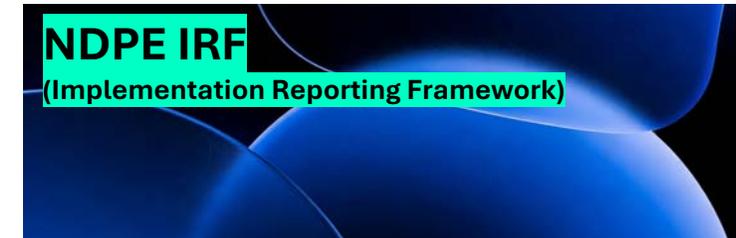
As a corporate policy commitment rather than a regulatory/legal framework, there are numerous tools that can be used to demonstrate compliance within companies' supply chains:



To detect real-time deforestation.



Public logs where companies track and resolve affected parties' complaints.



A reporting tool to consistently track progress.

Many companies proactively use these to to strengthen NDPE compliance across suppliers, identify issues early and stop violations before they escalate.

**Kao says it uses satellite monitoring and a grievance list as part of its zero-deforestation commitment.**



*We identify the location of mills on mill map and monitor and verify the risk of illegal deforestation since our cut-off date of November, 2018... by means of the **satellite monitoring data**...*

*We investigate, address, resolve and follow up the **received complaints and reports them with regular disclosure of the grievance list**.*

*Kao Palm Oil Dashboard*

# NDPE & AFI

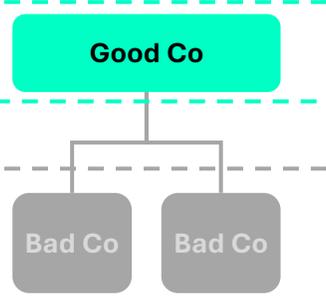
Meanwhile, AFI has harmonized terminology and closed loopholes that some participants exploited to claim progress.

For example, previously companies could split into "Good Co-Bad Co" structures

One part following RSPO/NDPE standards

while

the others deforested and sold non-compliant palm to less ethical buyers.



AFI's "Corporate Group" definition changed this:

if any part of a company's ownership structure deforests, the entire group becomes non-compliant, in theory forcing buyers to suspend all transactions, not just those with the "Bad Co."



*(Kao) requires all of its third-party suppliers, their corporate groups **defined by Accountability Framework initiative (AFi), and their investee companies including JOINT VENTURES to adopt the... NDPE) policies...** respect the human rights of all people involved in the supply chain... seek and confirm strict compliance with Free Prior Informed Consent (FPIC) of the communities. We have a **zero-tolerance policy in place... regarding violence, criminalization or intimidation of Human Rights Defenders***

Kao Palm Oil Dashboard

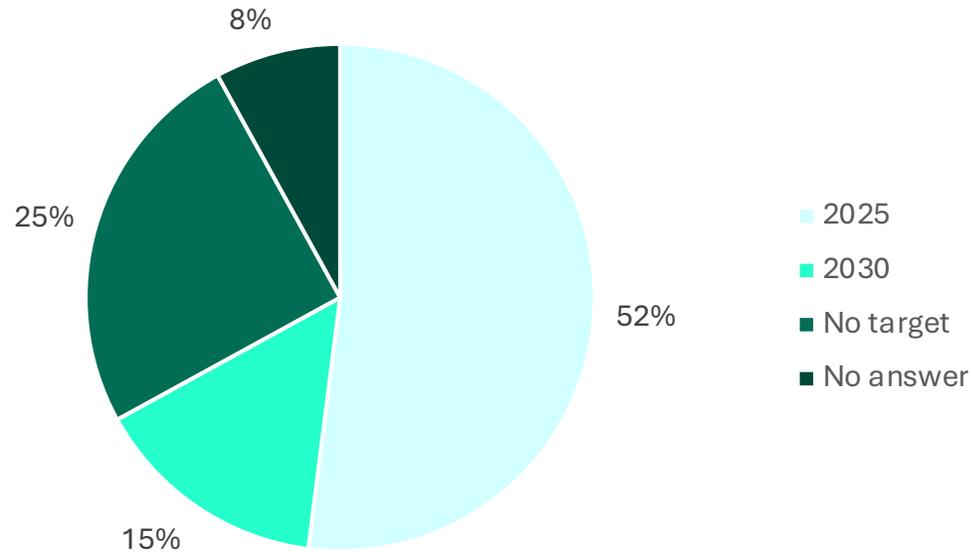
# NDPE Compliance

## Almost Half of Kao's Supply Chain Will Not Meet Its Own NDPE Implementation Deadline.

Kao's NDPE Survey Report<sup>1</sup> (April 2025) - covering 20 suppliers (92% of purchasing volume)

**Almost half** of Kao's palm oil supply does not meet the company's own NDPE policy implementation date requirement (either no target year, a year later than Kao's commitment, or refused to answer).

Target year of achieving deforestation-free supply chain



# Grievance List

# Grievance List



A grievance list is a public database where palm oil buyers track supplier **COMPLIANCE** violations - such as deforestation or labour abuses - and document **whether suppliers have been**

suspended

engaged for remediation

reinstated after resolving issues

- Grievance lists provide transparency and accountability, allowing stakeholders to monitor company responses to violations and assess **whether buyers are enforcing their NDPE commitments and ESG policies effectively.**
- It is standard practice among most CPG, FMCG, and soft commodity trading firms to run public grievance lists-** self-managed, openly disclosed databases that accept complaints from concerned parties and show how the company is addressing each violation.

## DOMESTIC PEERS



Nissin Foods



Fuji Oil



Unilever

Unilever



Colgate Palmolive



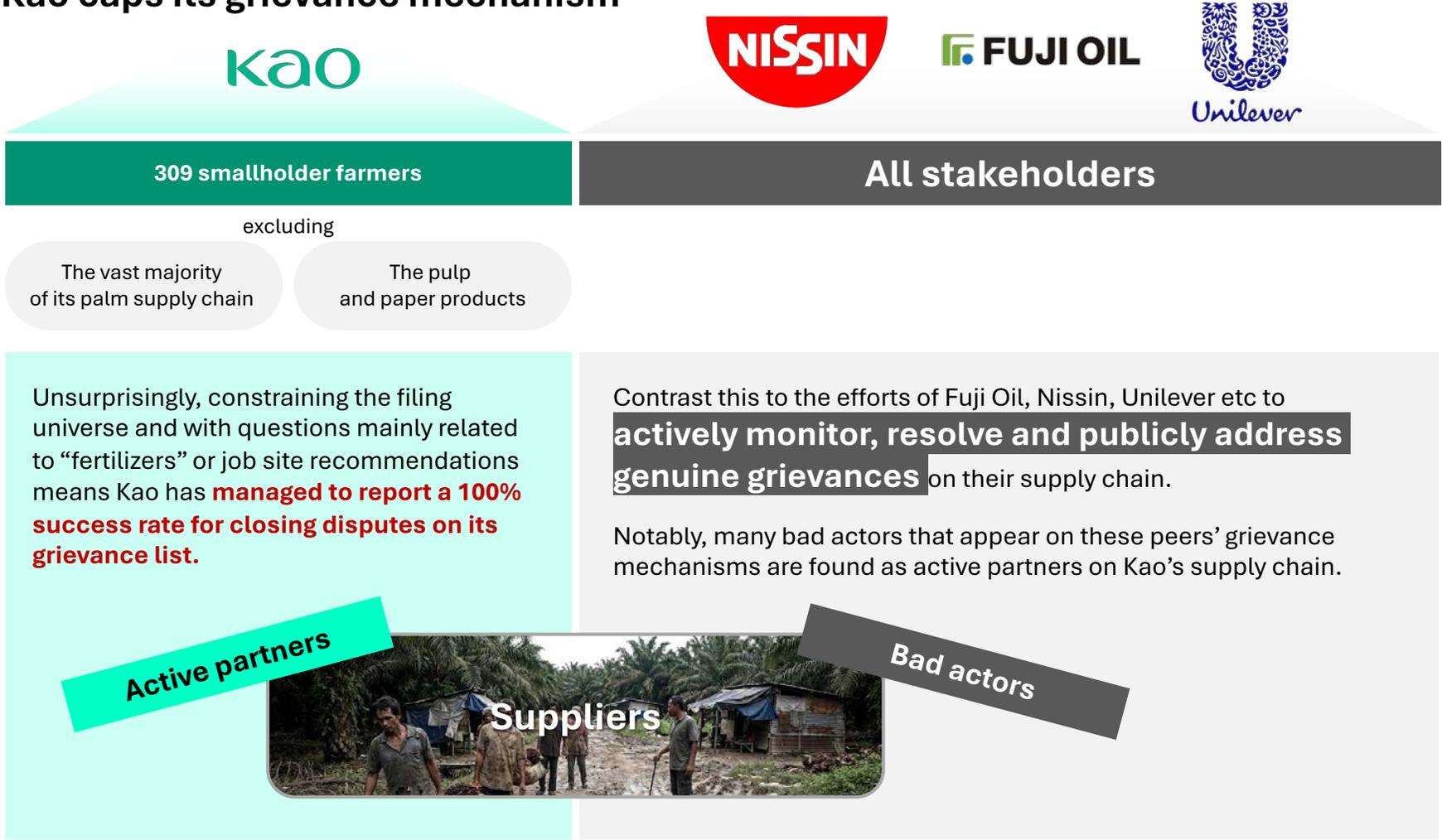
Nestle

Nestle

## INTERNATIONAL PEERS

# Grievance List

## Kao caps its grievance mechanism



Rather than operating a grievance mechanism open to all stakeholders – as Fuji Oil, Nissin, Unilever and others do – Kao caps it to just 323 smallholder farmers as of December 2025, excluding the vast majority of its palm supply chain and does not apply it to pulp and paper products at all.



# Grievance List

## FUJI OIL CO., LTD.

Fuji Oil is pleased to announce that we have updated our grievance procedure for **all our stakeholders** who identify issues or incidents in Fuji Oil's palm supply chain that are not in line with the principles stated in our Group Policies.

At Fuji Oil, we are committed in being transparent in the process of handling any palm related grievances...

The additions to the grievance procedure include:

1. Strengthening Fuji Oil's **commitments in Human Rights** aspect.
2. Improved the procedure to better guide our **stakeholder engagement and communication**.
3. Strengthening **Fuji Oil's Suspend and Engage protocol with Re-entry criteria**.

We will continue to publish our grievance engagement progress quarterly in our public grievance list... to ensure we are on par with the industry standards.

| Receiving Grievance   |   |
|---|---|
| Grievances can be raised to Fuji Oil group via any of the following channels: |   |
| Via email to  | palm-grievance@fujioilasia.com  |
| By telephone to   | +60 392015258   |
| In writing to   | 02-02-12, Sunway Velocity Office, Lingkaran V Sunway Velocity, 55100 Kuala Lumpur, Malaysia |
| Attention to  | Fuji Oil Supply Chain Management Group  |

## COMPARED TO KAO'S COVERAGE...

Number of smallholders covered by the Kao Grievance Mechanism

**323** smallholders

As of December 31, 2025

We estimate the Kao grievance mechanism **covers 6.0% or lower** of the Company's total annual palm oil procurement by volume.

# Grievance List

Kao's lack of a proper grievance system has investor implications.

## Narrow grievance mechanism

Kao's grievance system is narrowly scoped – it covers only a small group of smallholder farmers - and mostly handles minor issues while serious supply-chain violations are largely excluded.

## No reported controversies

Because the scope is so limited, Kao's public grievance list shows no substantial controversies reported, giving the impression that there are almost no problems.

## ESG ratings rely on this public record

ESG rating agencies can only analyse publicly disclosed information, so they see little or no evidence of major controversies involving Kao's supply chain.

## Methodology inflates Kao's score

Under MSCI's methodology, a lack of disclosure does not lead to a "worst" rating; instead, Kao receives a score that looks good on "Controversies" versus more transparent peers who openly report issues.

## Distorted signal to investors

Investors are misled by Kao's clean controversy score and may underestimate the real reputational and operational risks in its palm and pulp supply chains. **ADDITIONALLY, Compliance Violations are a key component of Kao's ESG executive bonus scheme...**

## Raw Material Sourcing

| Score | Change (since rating) | Quartile | Weight | Last score change date |
|-------|-----------------------|----------|--------|------------------------|
| 6.9   | 0.0                   | ****     | 11.0%  | Sep 16, 2025           |

## CONTROVERSIES

## MSCI ESG RATINGS



CCC | B | BB | BBB | A | **AA** | AAA

RATING ACTION DATE: September 19, 2025  
LAST REPORT UPDATE: November 10, 2025

“Where there is no company disclosure on an indicator... the ESG Ratings analytical approach does not assume that the company's performance category is "worst." Instead, the methodology assigns a performance level that is below average”

MSCI RATINGS METHODOLOGY

All controversies are assessed as part of the annual review of a company's ESG rating. MSCI ESG Research tracks controversies for all companies on a regular basis. There is **no evidence of the Kao's current involvement in prominent controversial events or alleged misconduct.**

# Questionable Monitoring

Kao says it conducts site inspections for “extremely high-risk” mills by third parties.

## Only 8 mills inspected

based on Kao’s own CDP disclosure — and that was back in 2019.

## No details disclosed

on which mills, which third party, or inspection outcomes.

## No verification or updates

published since 2019.

*For Tir (high-risk mills) that are deemed extremely high-risk, Kao conducts on-site inspections by a third party and requests improvements and follow-up. by 2019, **Kao had conducted on-site inspections at eight mills** and verified information from the refineries (Tier-1). Kao plans to conduct audits in the future if any problems are identified*

**KAO 2024 CDP Corporate Questionnaire 2024**



**If Kao’s CDP disclosure is correct then this is particularly worrying** given evidence of ongoing sourcing from mills on peer no-buy lists for **human rights abuses and deemed high-risk by investors, peers and NGOs**. It is also **hard to square Kao’s statements on forest monitoring** given mills on Kao’s supplier list have been implicated in deforestation and suspended by peers such as P&G and Reckitt.

5. Implementation of forest monitoring:

We implement monitoring of palm oil **mills** and their surrounding forests. We introduce forest footprint<sup>6</sup> evaluations.

**KAO “High-Risk” Supply Chain Management and Sourcing**

# Kao's High-Risk Suppliers

# High-Risk Suppliers to Kao

| SUPPLIER GROUP                          | STATUS                                   | KEY ISSUES IDENTIFIED IN PUBLIC RECORDS  |
|---|--|--|
| <b>FGV/FELDA</b><br>(70+ mills)         | Largest mill supplier;<br>onboarded 2024 | <ul style="list-style-type: none"> <li>• <a href="#">US CBP import detention order</a> due to forced labor, child labor, sexual violence (2020-26)</li> <li>• <a href="#">New RSPO mill accreditations</a> suspended <a href="#">since 2020</a></li> <li>• On <a href="#">Unilever’s no-buy list since 2018</a></li> </ul>                                     |
| <b>RGE Group</b><br>(86+ mills)         | JV partner + supplier                    | <ul style="list-style-type: none"> <li>• Group Co has public <a href="#">record of violent attacks on indigenous communities</a> (Sept 2025) and Forest Stewardship Council (<a href="#">FSC</a>) <a href="#">suspended</a></li> </ul>   |
| <b>Astra Agro Lestari</b><br>(12 mills) | Major supplier; increased<br>sourcing    | <ul style="list-style-type: none"> <li>• <a href="#">Cited by UN Special Rapporteurs</a> for land grabbing, intimidation and environmental harm;</li> <li>• <a href="#">Group Companies</a> were excluded by Norges Bank from investment portfolio;</li> <li>• <a href="#">BlackRock voted against board</a>; peers suspended sourcing from company</li> </ul> |
| <b>First Resources / Fangiono Group</b> | Onboarded 2025                           | <ul style="list-style-type: none"> <li>• <a href="#">Alleged by NGOs</a> to be one of Indonesia's largest deforesters; founder jailed for illegal rainforest schemes</li> </ul>  |
| <b>Citra Borneo Indah / SSMS</b>        | Onboarded 2024                           | <ul style="list-style-type: none"> <li>• <a href="#">4,470 hectares reported to be deforested</a> since Kao's cutoff date for NDPE enforcement;</li> <li>• Ongoing clearing reported 2024-2025; on <a href="#">Unilever’s “no-buy” supplier list since 2017</a></li> </ul>   |
| <b>PT ATAK</b>                          | Onboarded 2025                           | <ul style="list-style-type: none"> <li>• <a href="#">Peers suspended supplier in 2024</a> <b>BEFORE</b> Kao onboarded due to deforestation concerns</li> </ul>   |
| <b>Abdi Budi Mulia</b>                  | Supplier since 2021                      | <ul style="list-style-type: none"> <li>• 11,630 hectares <a href="#">reportedly cleared between 2019-2023</a>; deforestation reported to <a href="#">continue into 2025</a></li> </ul>   |
| <b>Grupo Oleoflores</b>                 | Onboarded 2024                           | <ul style="list-style-type: none"> <li>• <a href="#">RSPO complaint (Jan 2025)</a>: alleged land grabbing, deforestation, water dispossession; on <a href="#">Louis Dreyfus no-buy</a> list</li> </ul>   |

# Royal Golden Eagle

Are your partners a reflection of your standards?

Kao has long sourced from Royal Golden Eagle (RGE) Group. It also operates Joint Ventures with Group Companies:

01

An Oleochemicals JV with RGE subsidiary Apical (65% Apical: 35% Kao) since 2017

02

A palm oil sustainability program for Indonesian farmers with RGE subsidiaries Apical and Asian Agri since 2020



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



## Unusual JV partner choice

RGE Group is an unusual choice as a JV partner for a company like Kao which says it is focused on ESG management and overweight ESG metrics in its pay scheme.

## RGE's track record

Media and NGOs – such as the WWF - have documented an extensive history of deforestation and human rights abuses by the RGE Group<sup>1</sup> making it one of the more controversial companies in the palm oil and pulp and paper sector

1. See WWF. 2021. History of deforestation RGE/APRIL. [https://wwf.panda.org/discover/our\\_focus/forests\\_practice/forestry/pulp\\_and\\_paper/monitoring\\_the\\_industry/monitoring\\_the\\_industry\\_rge\\_april/](https://wwf.panda.org/discover/our_focus/forests_practice/forestry/pulp_and_paper/monitoring_the_industry/monitoring_the_industry_rge_april/)

# Royal Golden Eagle

Palm Oil: Partnerships Should be Investigated

RGE publicly adopted NDPE policies in 2015.

## However,

2024 reporting by Bloomberg<sup>1</sup> and a 2025 investigation by Greenpeace<sup>2</sup> allege RGE operates a massive network of "shadow companies" to hide ownership and bypass environmental standards.

This network reportedly controls a land area comparable to RGE's acknowledged assets and is accused of driving deforestation, including the destruction of orangutan habitat. RGE officially denies ownership and control.

“RGE declined to answer questions about whether Tanoto visited the plantations, and in what capacity... Tanoto himself declined to comment.”

Bloomberg News October 2024

## Bloomberg

### A Billionaire Family Fueled by Green Debt Faces Deforestation Claims

The Tanotos' Royal Golden Eagle, which helps make household products from P&G's Head & Shoulders shampoo to Unilever's Fudgsicles, denies the allegations while touting its sustainability efforts.



By Tom Maloney

October 16, 2024 at 12:00 AM UTC

Updated on October 16, 2024 at 11:11 AM UTC

## Under the Eagle's Shadow

Investigating the RGE/Tanoto Shadow Empire





# Royal Golden Eagle

## Palm Oil: Partnerships Should be Investigated

### PT. Aditya Agroindo (PTAA) / DTK Opportunity Group

- DTK is part of RGE's Shadow Network alleged by Greenpeace<sup>1</sup> and the Group's mills appear on Kao's latest mill list.
- [Satellite analysis indicates 312 ha](#) of forest loss within its concession since 2018.
- Not only is this after Kao's NDPE cut-off date; it is unclear WHY, if Kao uses satellite monitoring, it is unable to see forest destruction that many other parties have picked up on.
- As an on-site mill, DTK likely processes deforestation-linked fruit directly. In May 2025, [it was reported](#) a worker's **three-year-old child died after severe seizures because management allegedly refused to grant medical treatment.**

### PT. Teguhkarsa Wanalestari (PTTW)

- PTTW is part of RGE's Shadow Network alleged by Greenpeace<sup>1</sup> and its mills appear on Kao's latest mill list.
- [Various NGO satellites](#) show ongoing [deforestation between 2022-2025](#)

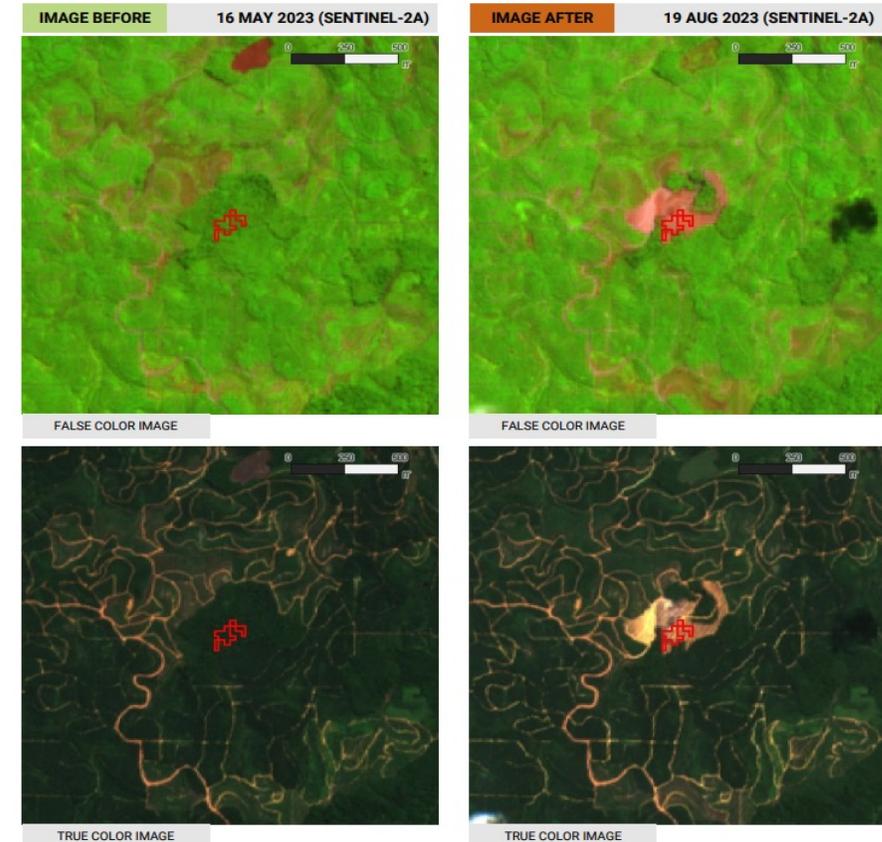
Kao Stands Alone

P&G

suspended PTAA holding group DTK in 2020

Nestlé reckitt

issued suspensions or "No Buy" orders on DTK and PTTW



Satellite Images showing company driven forest loss inside PTAA/DTK concessions in 2023.

Even if RGE ownership is disputed, these mills are demonstrably bad actors unfit for ESG-compliant supply chains, yet **Kao remains a buyer.**

# Royal Golden Eagle

RGE's forestry operations have faced serious public allegations since the early 2000s.



- In 2013, the Forest Stewardship Council (FSC) effectively expelled RGE subsidiary Asia Pacific Resources International Holdings Ltd. (APRIL) following accusations of **large-scale deforestation causing severe social and environmental destruction.**
- **A decade later, APRIL began reapplying for FSC certification.**



- In July 2024, [it was reported that](#) individuals driving security vehicles belonging to APRIL subsidiary Toba Pulp Lestari (TPL) abducted five local residents in North Sumatra.
- In September 2025, [media reported that](#) TPL workers clashed with villagers in North Sumatra after entering community land. 33 villagers were injured including 18 women and a disabled child; TPL workers allegedly set fire to homes and vehicles.
- **FSC promptly suspended APRIL's reapplication process.**

**The Jakarta Post**  
**Dozens injured in clash between PT TPL workers and indigenous group near Lake Toba**

**Kao does not disclose its pulp & paper suppliers - unlike peers - so APRIL's status is unclear. But Kao's JV with RGE Group company Apical would mean it appears to contravene AFI Corporate Group rules regardless.**

# Kao's paper/pulp supply needs investigating



**99.6%**

certified pulp and paper  
(FSC, PEFC, or SFI)

## What is not disclosed

- Breakdown between FSC vs. PEFC vs. SFI
- Segregated vs. mixed origin
- **Its actual supplier list**

| Kao Actions                       | Metrics   | Results   |   |   |   |   |
|-----------------------------------|---|---|---|---|---|---|
|                                   |   | 2020  | 2021  | 2022  | 2023  | 2024  |
| Transformative innovation         | Cumulative number of proposed or realized products with a big positive impact on lifestyles (cumulative since 2019)               | 3 cases   | 4 cases   | 5 cases   | 6 cases   | 7 cases   |
|                                   | Cumulative number of proposed or realized businesses and systems with a big positive impact on lifestyles (cumulative since 2019) | 1 case  | 3 cases   | 5 cases   | 6 cases   | 7 cases   |
| Responsibly sourced raw materials | % of certified paper products and pulp for consumer products  | 94%   | 96%   | 97%   | 98%   | 99.6%   |
|                                   | Confirm traceability to oil palm smallholders   | Completed up to own farm managed by oleo chemicals supplier | Completed up to own farm managed by oleo chemicals supplier | Completed up to own farm managed by oleo chemicals supplier | Completed up to traceability checks to farms: 87% | Completed up to traceability checks to farms: 88% |

## Why This Matters



FSC provides meaningfully stronger protections than PEFC or SFI



RGE's APRIL remains PEFC certified despite FSC suspension



Kao could be sourcing from APRIL and still claiming "certified" supply



Without disclosure, "99.6% certified" is potentially misleading

# Suppliers with Reported Links to Human Rights Violations



*To achieve zero human rights violations, we  
conduct risk assessments along the value  
chain*



**Kao Yuho FY12/24**

# Human Rights:

## Astra Agro Lestari (AAL)

### No Consent

### Astra Agro Lestari's land grab in Central and West Sulawesi, Indonesia



- AAL is a major Indonesian palm oil company.
- AAL mills and subsidiaries have long been plagued by accusations of human rights abuses and environmental violations.
- In 2022 Indonesian NGO WALHI and Friends of the Earth published a report exposing three AAL subsidiaries<sup>1</sup> engaged in

“Land conflicts with local communities in... Sulawesi”



Undertaking “violent land-grabbing abetted by Indonesian security forces”,



“implicated in illegal deforestation”



# Human Rights:

## Astra Agro Lestari (AAL) Intimidation of Local Communities



UNITED NATIONS  
HUMAN RIGHTS  
OFFICE OF THE HIGH COMMISSIONER

The scale of AAL's human rights and environmental issues has been large enough to warrant a **dedicated report by United Nations Human Rights Commission Special Rapporteurs in October 2024<sup>1</sup>**.



### AAL's Environmental Destruction

- “AAL actions have caused **land conflicts**, massive scale draining of peatlands with the implied destruction of the ecosystems.”
- “AAL has planted oil palm plants on an estimated 32,400 ha of peatland.”
- “AAL has no policy regarding the protection of peatlands.”
- “There have been allegations of **intimidation and harassment against community members, Indigenous Peoples and environmental human rights defenders, including women.**”



### Human Rights Violations

- “(AAL) may be failing to implement adequate human rights due diligence measures to guarantee that its actions do not lead to human rights abuses, as set out by the United Nations Guiding Principles on Business and Human Rights.”
- “We are **seriously concerned** about the alleged intimidation and criminalisation – including arbitrary arrests and detentions – of environmental human rights defenders and Indigenous and community leaders.”

# Human Rights:

Astra Agro Lestari (AAL)

In May 2025, Kao issued a brief comment on AAL -- one of the few times it has publicly addressed supply chain violations -- but only after the Business and Human Rights Centre pressed for a response<sup>1</sup>.



Kao's response to allegations associated with AAL

“ We are in the process of confirming with the suppliers the latest situation regarding PT Astra Agro Lestari. ”

The statement merely reiterated monitoring processes.



Kao's latest mill list excludes the four implicated AAL subsidiaries, yet it **previously sourced from the Letawa and Pasangkayu** mills when allegations were already public.



Without transparency or a grievance list, **whether this is a deliberate suspension or coincidence is unclear.**



Under Kao's own AFI "Corporate Group" definition, no AAL mills should appear on its supply chain.

Two of the largest palm mill groups supplying to Kao are facing serious human rights abuse allegations

FGV/FELDA

PTPN (Perkebunan Nusantara)

SIME DARBY/SD GUTHRIE

KUALA LUMPUR KEPONG

SINAR MAS

WILMAR

ASTRA AGRO LESTARI



# Human Rights: Astra Agro Lestari (AAL)

Investors and customers have taken a dim view of the accusations against AAL and the wider corporate group, in line with AFI definitions.



In February 2024, Norges Bank excluded AAL’s group companies at the parent level from its investment portfolio citing their legacy of causing **“severe environmental damage”**

## Decisions on exclusion

Norges Bank has decided to exclude three companies from the Government Pension Fund Global.

29 February 2024

## BlackRock

Similarly, BlackRock voted against AAL’s entire board in 2023, citing the company’s track record on its poor handling of human rights allegations across the group.

“Disclosures do not provide shareholders sufficient insight into... allegations that AAL had seized land from local farmers... and was implicated in human rights abuses... several large consumer companies announced their decision to stop sourcing palm oil from AAL’s impacted subsidiaries.... AAL’s delayed response... (is a) material risks that could negatively affect (the company)”



Investment Stewardship

### Vote Bulletin: PT Astra Agro Lestari Tbk

|                              |  |
|------------------------------|--|
| Key Resolutions <sup>1</sup> | Item 3: Elect Directors and Commissioners and Approve Their Remuneration |
| BlackRock Vote <sup>2</sup>  | BlackRock voted AGAINST Item 3   |

# Human Rights:

FGV Accused of Slave & Child Labor

With 71 mills registered, FGV Holdings and its Corporate Group are one of the **LARGEST** named mill operator/operator groups on Kao's supply chain as of 2H 2025.



FELDA



○ January 2020

The **RSPO** suspended certification for all uncertified units of **FGV** after it found violations of RSPO Principles & Criteria on issues such as the **treatment of migrant laborers.**



○ September 2020

U.S. Customs and Border Protection (CBP) issued a detention order for palm oil produced by FGV after its own investigations<sup>1</sup>

- “
- Revealed **forced labor**...
  - **physical and sexual violence,**
  - **intimidation and threats**...
  - **debt bondage,**
  - abusive working and living conditions...
  - **forced child labor** is potentially being used”



U.S. Customs and Border Protection

# Human Rights:

## FGV Accused of Slave & Child Labor

Unilever had placed the FGV group on its No Buy List as far back as 2018 due to concerns over its practices.

While CBP lifted its order against FGV in January 2026<sup>1</sup>, Kao continued sourcing from FGV throughout the investigation, unlike peers who suspended.

The screenshot shows Unilever's 'Suspended or No-Buy List of Palm Oil Companies' as of August 2024. A callout box highlights the entry for FGV (Felda / FGV) on the list, which was added in January 2018. The list includes various palm oil groups and their suspension dates.

| No | Group / Company Name   | Date      |
|----|--|-----------|
| 1  | Darmex Agro / Duta Palma   | Feb 2010  |
| 2  | Sawit Sumbermas Sarana (Citra Borneo Indah Group)                      | June 2017 |
| 3  | Hayel Saeed Anam (HSA) Group (Pacific Inter-Link and Arma Foods)       | May 2018  |
| 4  | Best Agro International (BEST Group)                                   | Dec 2018  |
| 5  | First Resources, Fangiono Agro, Ciliandry Anky Abadi (Fangiono Family) | Jan 2018  |
| 6  | Felda / FGV  | Jan 2018  |

Unilever is not alone



have all suspended the Group.

As CBP stated: **"we will not tolerate forced labor in U.S. supply chains."**



# Suppliers with Reported Links to Deforestation



# Links to Deforestation

## How Kao's peers responded

### Unilever



Suspended PT ATAK *half a year BEFORE* the report, based on own investigations.

“ Unilever has **categorized the mill as high risk in our due diligence process...** We will **ensure no supply from the mills and plantations mentioned can be supplied to Unilever before a robust traceability-to-plantation system is demonstrated.** ”

### Colgate, Procter & Gamble, Nestlé

All suspended procurement ahead of report publication



### How Kao responded



Despite being in clear violation of its own NDPE policy, **Kao onboarded PT ATAK onto its supply chain at the BEGINNING of 2025.**

| No | Palm Oil Mill Parent Company | Palm Oil Mill             | Latitude | Longitude | Country   | Province | UML ID       | RSPO |
|----|------------------------------|---------------------------|----------|-----------|-----------|----------|--------------|------|
| 83 | ACEH TRUMON ANUGERAH KITA    | ACEH TRUMON ANUGERAH KITA | 2.8594   | 97.7892   | INDONESIA | ACEH     | PO1000014955 | NO   |

# **The Potential Damage of Not Investigating**

# High Stakes

Whistleblowers raised serious allegations about Kao's risk management and internal controls which were substantiated by third-party environmental researchers.

The evidence suggests Kao's disclosures and practices may pose serious risks to corporate value:

## POSES RISK TO CORPORATE VALUE

- Reputational risk could impair consumer and investor trust in management and brands
- Potential violations of overseas regulations that would impede overseas growth critical to restoring Kao's revival
- Loss of revenues could lead to higher cost of capital and limit Kao's ability to compete

## DEMONSTRATES STRUCTURALLY POOR RISK MANAGEMENT

- Increasing exposure to suppliers linked to deforestation and human rights abuses, violating Kao's own policies
- Onboarding suppliers expelled from peer supply chains
- Reporting mechanisms that prevent identification of serious compliance violations

## SIGNIFICANT EXPOSURE TO SUPPLY CHAIN RISKS

- Kao says 100% of its revenues depend on palm oil and 71-80% on paper/pulp supply<sup>1</sup>.
- Without investigating and remedying these issues, the Company will face regulatory risks, brand damage, and management credibility questions that erode corporate value.

# Damage to Corporate Value

Supply Chain Failures Create Real Risks To Corporate Value, Brand Equity & Management Credibility

## Nestlé's Killer Kit Kat Crisis

GREENPEACE



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.

A full recovery in sentiment scores took six months.

## Human Rights Abuses

Mondelēz  
International



Two US class action lawsuits have alleged Mondelez claims of "100% sustainably sourced cocoa" claims are false advertising and greenwashing.

Instead, its supply chain is linked to child labor and deforestation. Mondelez has admitted that it could not guarantee its products were child labor-free.

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.

# Overseas Regulation Affects K27 Growth

EU and US both strictly enforce supply chain compliance

## EU Deforestation Regulation (EUDR)

- Phased in from December 2026; covers palm oil, timber and other 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

## EU Forced Labour Regulation

- Enacted late 2024 and goes into force at end-2027
- 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 Tariff Act Section 307 / UFLPA

- In force since 1930; strengthened in 2022.
- Since then, 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 January 2026.

# Independent Investigation is the best solution

## The SITUATION

### Supply Chain Risk

Kao's supply chain includes groups suspended by peers and flagged by regulators

### Governance Conflict

Governance structures link executive pay to ESG metrics overseen by the same executives

### Board Credibility

Board cannot credibly self-investigate

## The RISK

### Regulatory / Compliance Exposure

Regulatory exposure (EUDR), brand damage, stranded supplier relationships

### Governance and Disclosure Risk

Disclosure credibility questions, investor confidence erosion amid conflicts of interest

### Business Valuation Risk

Continued uncertainty, unresolved questions, sustained discount to peers

## The SOLUTION

### Independent Review for Risk Prevention

Independent review to identify gaps before they become reputational brand crises and derail growth

### Transparency for Stakeholders

Transparent assessment would restore trust and accountability

### Shareholder Mandate for Independence

Shareholder-mandated review provides independent verification

# An Independent Investigation is Necessary

# An Independent Investigation is Vital

## Independent Review Needed To Restore Credibility



**Board lacks effective and impartial oversight**

Has not ensured accountability of management.



**Pay linked to ESG**

Substantial portion of executive pay is linked to ESG metrics that appear questionable **and unusually high.**



**Conflict of interest**

Hasebe chairs ESG Committee but also sits on Remuneration Committee.



**Internal review cannot be impartial**

Directors are conflicted or publicly committed to existing narratives.

**Lisa MacCallum**  
Director



- Served on ESG External Advisory Board shaping the initiatives now under question
- Publicly endorsed Kao's ESG performance: "Kao is indeed superior on the delivery of so many things"

**Masakazu Negoro**  
Director



- As head of chemicals was instrumental in forming Kao's JV with RGE/Apical and running Kao's procurement/supply chain

**Yoshihiro Hasebe**  
Director



- Simultaneously Chairs Kao's ESG Committee and sits on Compensation Committee
- Direct beneficiary of the ESG metrics he oversees

# Kao sells itself as an ESG Focused Company

Will make it difficult to be objective in an investigation



Kao President Yoshihiro Hasebe's keynote address at the Sustainable Brands International Conference 2022 Yokohama began with a powerful call to action. Having declared

**"Sustainability as the only path"**



Sustainable Brands March 2022

## 日本経済新聞

花王、揺らぐESG経営 オアシスも迫った「理想より利益」

Nikkei Shimbun April 2025

“ management policy emphasizing ESG (Environmental, Social, and Governance) principles...  
President Yoshihiro Hasebe also declared, **"We will not invest a single yen in anything that violates ESG principles going forward."**...

# Kao sells itself as an ESG Focused Company

Will make it difficult to be objective in an investigation



Kao has been recognized as one of the World's Most Ethical Companies® in 2025 by Ethisphere, marking 19 consecutive years of recognition since the award's inception in 2007... one of only six companies worldwide and the only Asian company to have received the award for 19 consecutive years.

2025/03/27



“

We are honored to have been selected as one of the World's Most Ethical Companies® for 19 consecutive years. **'Integrity as the only choice'** is at the heart of our corporate philosophy, the Kao Way, and external recognition such as this is invaluable to us.

Yoshihiro Hasebe

”



“

honorees have demonstrated a **commitment to ethical business practices** through robust programs that **positively impact... communities, and broader stakeholders.**

ETHISPHERE

”

# Conflict-of-interest

Hasebe heads both ESG and Compliance Functions and would be investigating himself



“

The overall execution of ESG has a governance structure with the ESG Managing Committee **chaired by the Representative Director, President and Chief Executive Officer as the highest authority**”

KAO ESG & GOVERNANCE DISCLOSURE 2025

## ESG governance structure



### 3. Yoshihiro Hasebe (Date of Birth: July 30, 1960)

Re-nomination



#### [Career summary, status and duties at the Company]

|              |  |
|--------------|--|
| April 1990   | Joined the Company   |
| March 2014   | Executive Officer  |
| March 2015   | Senior Vice President, Research and Development, Global (current)        |
| January 2016 | Managing Executive Officer   |
| March 2016   | Director, Managing Executive Officer                                     |
| January 2018 | Director, Senior Managing Executive Officer (current)                    |
| April 2018   | Senior Vice President, Strategic Innovative Technology, Global (current) |
| January 2019 | Responsible for Compliance (current)                                     |

Attendance to the Meeting of the Board of Directors: 15/15 (100%)

# Lisa MacCallum Appointed due to ESG Expertise

Has been an ESG advisor since 2019 and would be investigating herself

**Lisa MacCallum was nominated not just to Kao's board, but also other company boards, based on her ESG expertise**



adani | Energy Solutions

“

**Lisa MacCallum**, is joining the ATL board to influence the company's governance best practices, customer, employee and stakeholder experiences and **ESG commitment delivery**.

”

“

Ms. MacCallum... has a strong background as an advisor on brand purpose, strategy, communications **and ESG**.

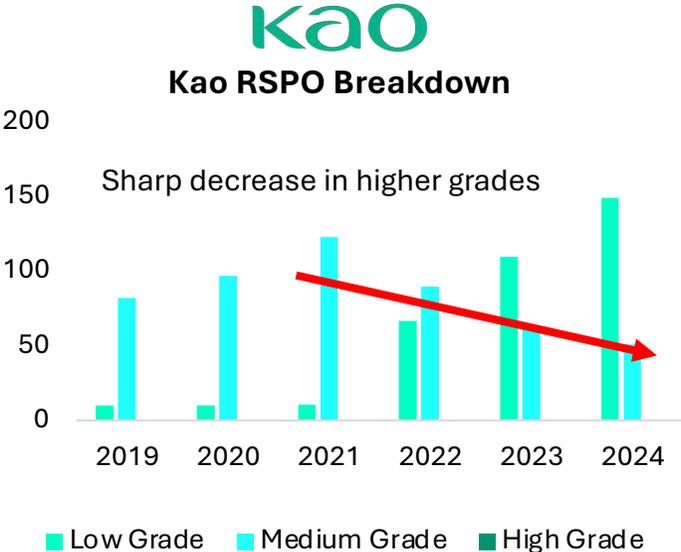
Since July 2019 , **she has served as a member of Kao's ESG External Advisory Board**, and since September 2021, she has been an Executive Fellow, **providing guidance on Kao Group's ESG initiatives** and communications from a global and multi-stakeholder perspective... we believe **Ms. MacCallum will further strengthen Kao Group's global integration of sustainability** and business, as well as enhance its marketing, corporate branding, and brand strategy.”

Kao ”

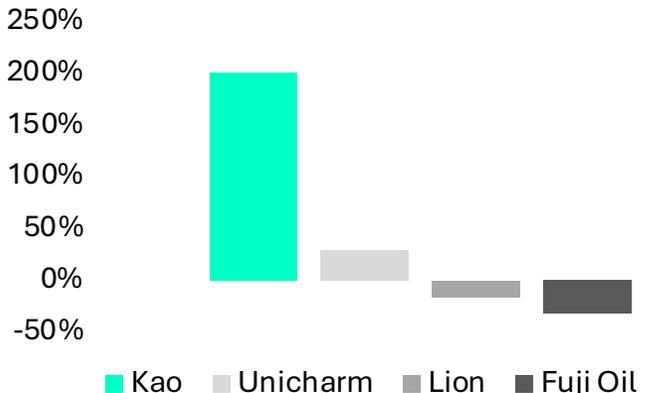
# ESG has worsened under Current Management

Since President Hasebe was appointed in 2021, Kao’s ESG Governance has resulted in:

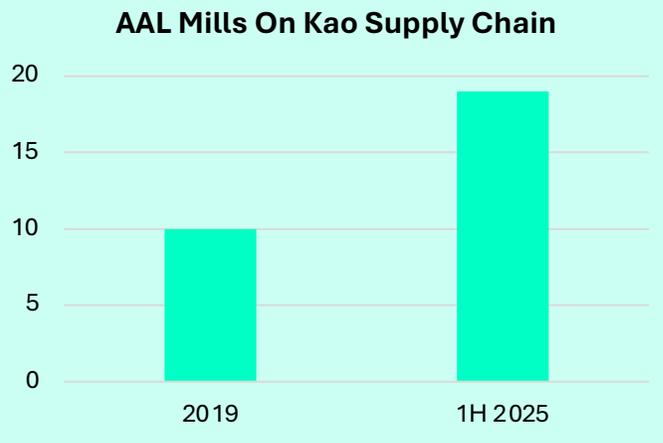
- A decline in higher grades of RSPO-compliant palm oil being sourced by the Company
- Onboarding of suppliers identified as high risk and expelled from peer supply chains
- Increasing exposure to suppliers who were the focus of an UN Human Rights Commission Special Rapporteur investigation
- A tripling of executive pay driven by “ESG” metrics



**Change in Executive Compensation 20-24**



Kao has **INCREASED** sourcing from AAL mills over the past six years despite claiming in its Yuho to conduct risk assessment on human rights.

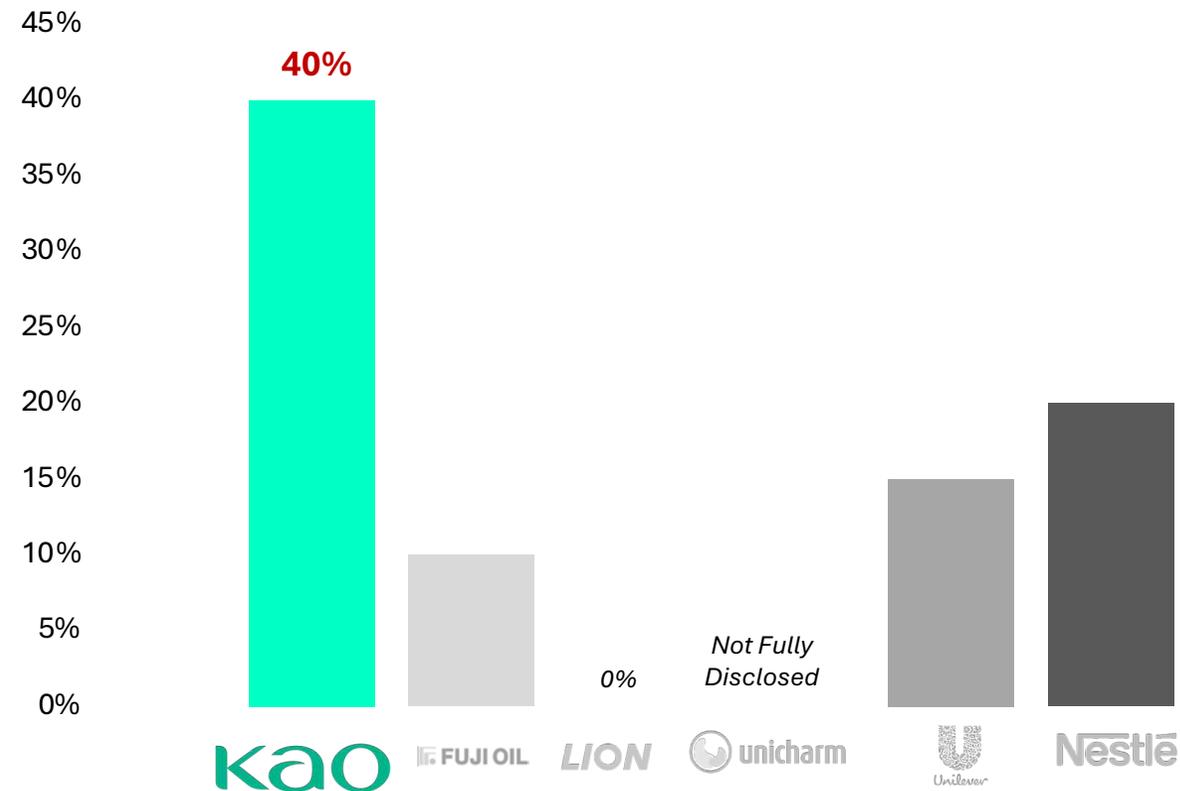


# Executive Pay: Conflicts of Interest

President Hasebe’s pay increase has been driven by KPIs unrelated to operating performance – including 40% of the variable portion of his performance-based share incentive plan linked to “ESG metrics”.

- The weight of ESG in Kao’s executive compensation scheme exceeds those of domestic peers; and even those of large European consumer goods who are viewed as leading proponents of ESG.
- Indeed, **very few companies internationally OR domestically weight “ESG” this high in their executive compensation.**
- Additionally, **President Hasebe sits on the compensation committee** that formulates Kao’s incentive scheme.

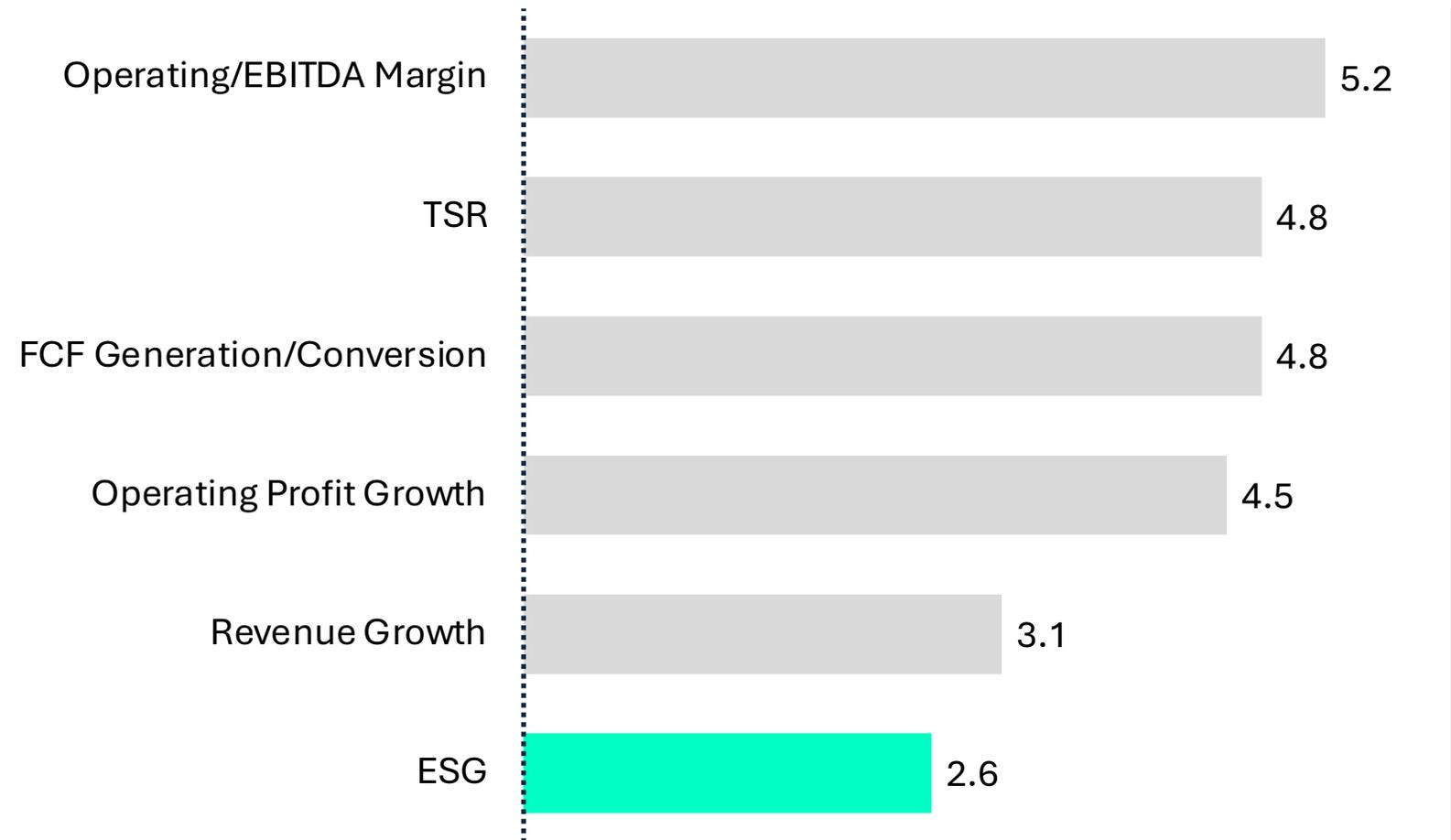
ESG As % of Variable Long Term Incentive Scheme



# Executive Pay: Conflicts of Interest

An investor perception survey commissioned by Oasis indicated that most investors viewed ESG as the least important input into designing an effective executive compensation scheme

Out of 6, how important are these metrics for compensation packages to encourage sustainable growth?



# **Vote For Better Accountability**

# Proposed investigation is within reasonable scope

## Duration / Time Frame

- Time bound – a three-month investigation (extendable by another three months, if necessary)

## Scope of Review

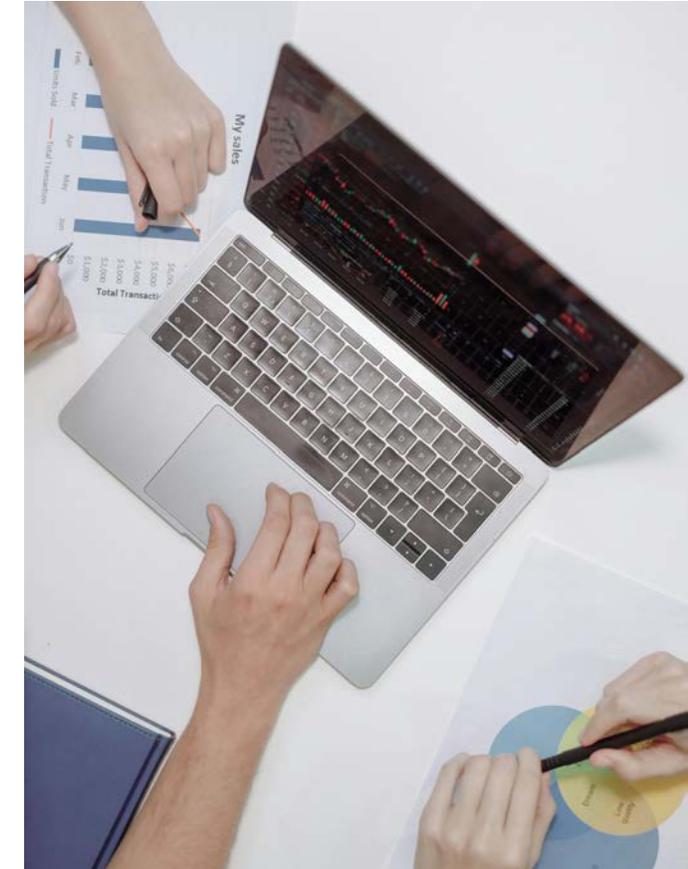
- Focused solely on material risk and disclosure controls

## Balanced Resource Allocation

- Requires the investigators to consider costs and resource allocation so as not to cause significant adverse effects on corporate value

## Cost Responsibility

- Company to pay reasonable costs with Oasis undertaking to cover any costs exceeding reasonable amounts



# Proven Governance Improvement Tool

**Independent investigative committees are not unusual:** In 2025 alone, over 55 were conducted.

This is the English translation of the document originally written in Japanese for non-Japanese convenience. Although Japan Securities Finance intends to faithfully translate the Japanese-written documents into English version, the accuracy and correctness of translation are not guaranteed, so you are kindly encouraged to refer to the original Japanese version of the document.



January 10, 2023

To All Shareholders:

Company: Japan Securities Finance Co., Ltd.  
Representative Executive Officer & President: Shigeki Kushida  
(Code No. 8511, TSE Prime)  
Contact: Kentaro Hibi, General Manager, Corporate Governance Office  
(E-mail :info@jsf.co.jp)

## NOTICE OF CONVENING DATE AND TIME, LOCATION AND AGENDA MATTERS FOR THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS, AND OPINION OF THE COMPANY'S BOARD OF DIRECTORS REGARDING THE SHAREHOLDER PROPOSALS

As disclosed in the "Notice of Shareholder Request for Convening of an Extraordinary General Meeting of Shareholders" dated November 22, 2022, Japan Securities Finance Co., Ltd. (hereinafter, "the Company") has received a request from a shareholder of the Company (hereinafter, the "Proposing Shareholder") for the convening of an extraordinary general meeting of shareholders.

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.

# Vote for Improved Risk Management

De-risk the potential liabilities in overseas growth

## UNSUSTAINABLE PRACTICES

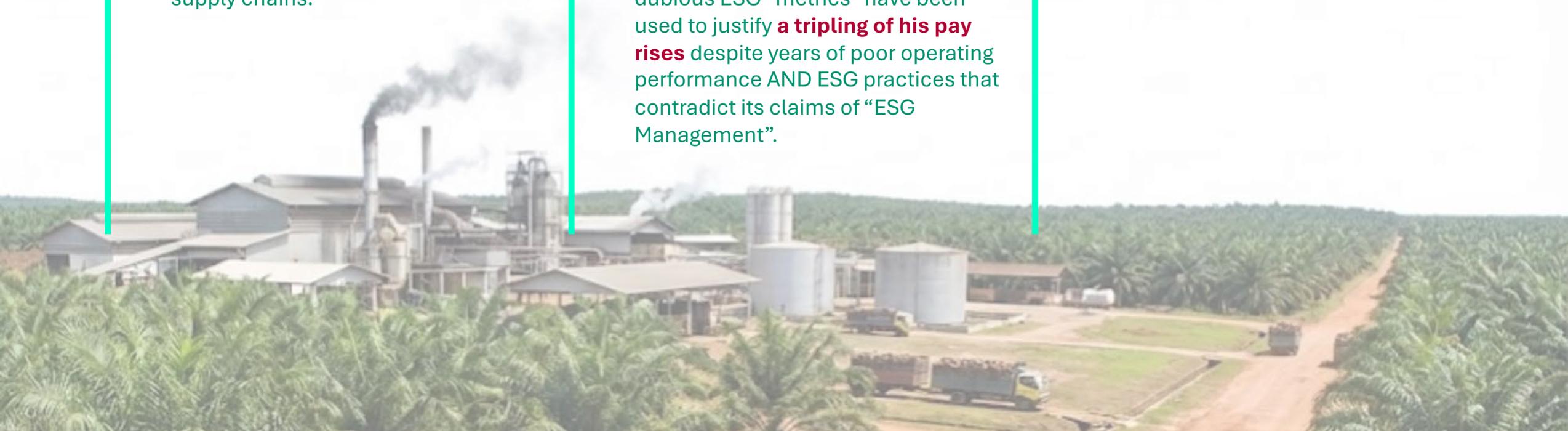
- Claims of “sustainability as the only path” fail to stand up to scrutiny.
- Kao uses suppliers who engage in deeply **UNSUSTAINABLE** practices, and onboards parties thrown off peer supply chains.

## ESG LINKED TO PAY DESPITE FAILURES

- **Kao links growth in corporate value and executive pay to its ESG strategy.**
- Yet under President Hasebe corporate value has shrunk and dubious ESG “metrics” have been used to justify **a tripling of his pay rises** despite years of poor operating performance AND ESG practices that contradict its claims of “ESG Management”.

## BOARD & KPI FAILURES

- The compensation committee has **failed to set appropriate KPIs both operationally and for ESG** while the board has inadequately overseen matters relating to its self-professed ESG mandate.



# Protect Kao: Protect Corporate Value

## What An Independent Investigation Delivers

### The SITUATION

#### Supply Chain Risk

Kao's supply chain includes groups suspended by peers and flagged by regulators

#### Governance Conflict

Governance structures link executive pay to ESG metrics overseen by the same executives

#### Board Credibility

Board cannot credibly self-investigate

### The RISK

#### Regulatory / Compliance Exposure

Regulatory exposure (EUDR), brand damage, stranded supplier relationships

#### Governance and Disclosure Risk

Disclosure credibility questions, investor confidence erosion amid conflicts of interest

#### Business Valuation Risk

Continued uncertainty, unresolved questions, sustained discount to peers

### The SOLUTION

#### Independent Review for Risk Prevention

Independent review to identify gaps before they become reputational brand crises and derail growth

#### Transparency for Stakeholders

Transparent assessment would restore trust and accountability

#### Shareholder Mandate for Independence

Shareholder-mandated review provides independent verification

# VOTE FOR AN INDEPENDENT INVESTIGATION

## Qualified, Independent, Experienced

Appoint three independent investigators from external law firms to examine failures in Kao's ESG risk management & internal controls and assess the threat to Kao's long-term growth strategy.

### SHINJI KUSUDA

- 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

- 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

- 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



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