

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 2024¹. 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/>

RGE Group faces ongoing allegations of deforestation, illegal sourcing, and violent assaults on indigenous communities, including alleged attacks on women and children as recently as September 2025³. RGE has one of the most controversial histories of any company operating in the palm oil and forest product sectors, having been publicly linked to hundreds of thousands of hectares of deforestation.

Several other examples of Kao sourcing palm oil from companies that are publicly linked to deforestation or human rights abuses were found, which means that Kao is in violation of its own sustainability commitments and appears to have failed to successfully implement its NDPE policy as of the date of the comprehensive report on which this summary is based.

Conclusions:

When it comes to palm oil and pulp and paper products, this assessment reveals significant gaps between Kao's stated NDPE commitments and its actual implementation:

1. Ongoing purchases of conflict palm oil: Kao continues to source from suppliers suspended by peers, including companies linked to forced labor, sexual violence, illegal land seizure, and large-scale deforestation. In one case, investors such as Norges Bank stopped investing in a controversial corporate group⁴ from which Kao continues to buy palm oil.
2. Links to Suppliers Accused of Illegal Land Seizure and Large-Scale Deforestation: Kao sources from Astra Agro Lestari (AAL), a company publicly accused of illegal land grabs, destruction of indigenous territories, and extensive deforestation -- violations that have led peers to suspend AAL from their supply chains and investors such as Norges Bank excluding its corporate group from their investment portfolio.
3. Exposed to Suppliers Accused of Forced Labor and Sexual Violence (FGV Holdings): Kao continued purchasing palm oil from FGV Holdings throughout the period that FGV Holdings was subject to a U.S. Customs and Border Protection (CBP) Withhold Release Order for forced labor indicators -- an order only removed in January 2026. At no point did Kao suspend sourcing from FGV, even as peers took action.
4. Fundamentally Inadequate Grievance Mechanism: Kao's grievance mechanism covers only a fraction of its palm oil supply chain, excludes key stakeholder groups, and could be fueling the inflation of executive compensation. Without a public grievance mechanism or no-buy list (mechanisms their peers have in place), Kao provides no transparency on how it assesses these controversies -- placing it in apparent violation of its own NDPE commitment.
5. Problematic RGE Group Relationship: Kao maintains a joint venture with APICAL - a subsidiary of RGE Group - and continues this partnership despite documented deforestation, human rights abuses, and violent attacks on indigenous and local communities by entities within the RGE corporate family and a large "shadow network" of entities allegedly linked to RGE.
6. Over-Reliance on Weak Certification: Kao's heavy dependence on Book and Claim certification for palm oil (75% of certified supply as of its latest disclosure for 2024) and unclear FSC/PEFC breakdown for pulp and paper undermine Kao's claims of sustainable sourcing.
7. Inadequate Monitoring: An apparent absence of site verification visits since 2019⁵ for high-risk palm oil mills raises serious questions about the effectiveness of Kao's monitoring systems.

³ <https://www.ucanews.com/news/indigenous-people-clash-with-pulp-company-staff-in-indonesia/110406>

⁴ <https://www.nbim.no/en/news-and-insights/the-press/press-releases/2024/decisions-on-exclusion/>

⁵ See page 465 - <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2024-001.pdf>

8. Transparency Gaps: The lack of pulp and paper supplier disclosure and absence of a public grievance tracking mechanism makes independent verification of Kao's sustainability claims impossible. Third-party reporting commissioned by Kao's shows almost half of its palm oil suppliers are not even aligned with the Company's deforestation (DCF) timeline goals.
9. Pattern of Missed Targets: Kao has repeatedly set and missed sustainability deadlines, then quietly extended them without explanation, undermining the credibility of its current commitments.

On plastic packaging, Kao significantly lags international peers in recycled content (8% versus 16-37% for competitors), lacks global recyclability reporting, and has no defined baseline-year reduction target.

On the issue of greenhouse gas emissions, Kao received the worst Net Zero Tracker assessment among peers, lacks a dedicated scope 3 target, and relies on vague commitments to future and currently unproven technology to reduce its carbon footprint.

Investors and stakeholders should approach Kao's sustainability claims with skepticism given the pattern of ambitious targets paired with limited transparency and lagging performance versus peers.

1 PART 1: FAILINGS IN KAO'S NDPE POLICY AND ITS IMPLEMENTATION

1.1 Repeatedly Missed Targets and Shifted Deadlines

Kao has a documented pattern of missing sustainability targets and extending deadlines without public explanation. This track record calls into question whether Kao's current 2025 targets will be even met.

Shifting Zero Deforestation Target:

Kao originally committed to achieving zero deforestation by 2020⁶. However, the company quietly shifted this deadline to 2025 in its 2022 sustainability report⁷, with no public explanation for the missed target.

Traceability to Plantation:

Kao's 2019 Sustainability report stated a target to achieve 100% sustainable procurement of palm oil, paper and pulp by 2020, stating: *"We will achieve 100% sustainable procurement of palm oil, paper and pulp by 2020. This activity corresponds to our 2020 Zero Deforestation Declaration."*⁸

This target was also subsequently changed to 2025 without explanation.

⁶ See page 52 - <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sus-db-2020-e-10.pdf>

⁷ See page 87 - <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2022-e-all.pdf>

⁸ See page 74 - <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2019-e-all.pdf>

RSPO Certification Target:

Kao exhibits a concerning history of failing to keep its promises when it comes to RSPO certification.

This represents a multi-year pattern of underperformance on stated sustainability commitments and its heavy reliance on Book & Claim credits -- the lowest-integrity RSPO mechanism -- suggests the company is prioritizing compliance optics over genuine supply chain transformation.

In 2011, [Kao promised it would only use certified palm oil](#) “by 2015 as long as it can secure a sufficient amount”. Instead, in its 2014 Annual Communication of Progress (ACOP) to the RSPO, Kao acknowledged that it failed to meet its target by promising that all of its palm oil will be 100% RSPO certified only by 2020. Kao also assured that none of this would be from the weakest Book & Claim, the weakest certification system within the RSPO. Yet, again, Kao missed its target and changed it to the current target of 2025.

It looks extremely likely that Kao will not be able to reach its current 2025 target of 100% RSPO sourced palm oil either. As of 2024, less than 40% of its supply was certified and most of this was under the weakest certification category of Book & Claim credits⁹.

Indeed, Kao’s RSPO sourcing decreased from 40.4% in 2023 to 38.6% in 2024. Moreover, Kao’s H2 2025 mill list disclosure shows that more than 70% of palm oil mills in Kao’s supply chain have either no RSPO certification or the certification status was not disclosed¹⁰.

In comparison, competitors like L’Oreal, Beiersdorf, Henkel, and Colgate-Palmolive have achieved over 90% RSPO uptake in 2024, according to their RSPO Annual Communication of Progress (ACOP) filings¹¹. Unilever stands at more than 80%, twice Kao’s rate. Moreover, Kao the vast majority of its sourcing relies on the weakest RSPO supply chain model (Book & Claim), which provides no assurance that the palm oil Kao actually purchases and uses comes from certified deforestation-free sources.

1.2 Critical Deficiencies in Kao's Grievance Mechanism

Kao's lack of a meaningful grievance mechanism represents a critical shortfall in its sustainability efforts and is fundamentally inconsistent with international best practices.

Extremely Limited Scope

As of December 2025, Kao’s palm oil dashboard indicated the grievance mechanism covered only 323 smallholders¹². Even within Kao's SMILE smallholder program that aims to work with 5,000 smallholders this is extremely limited in scope, and the mechanism does not apply to:

- Most palm oil mills and plantations in Kao's supply chain
- NGOs, media, or third-party stakeholders
- Pulp and paper products

⁹ <https://www.musimmas.com/resources/blogs/rspo-trademark-labels/>

¹⁰ See <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/progress-2025-002.pdf>

¹¹ See <https://rspo.org/search-members/>

¹² See <https://www.kao.com/global/en/sustainability/we/procurement/palm-dashboard/>

Mischaracterization of "Grievances"

Of 288 recorded "grievances" from September 2022 to June 2025¹³, the vast majority are support requests from smallholders for fertilizer etc. rather than grievances raised.

Only 16 (5.6%) were classified as "Human Rights and Land dispute"(s), with none meeting standard grievance reporting criteria such as those applied by Kao's domestic and international peers.

No Public Grievance Register

No public register of grievances regarding Kao's palm oil or pulp and paper supply chain could be found (outside of the support for the small number of smallholders described above). At the same time, multiple suppliers suspended by other companies for egregious NDPE policy violations continue to appear in Kao's mill disclosure lists.

Kao is unusual among large palm oil users for lacking a public grievance log:

Company	Palm Oil Use (2024 tons)	Public Grievance Log
Unilever	809,961	Yes
Fuji Oil	684,481	Yes
Kao Corporation	518,635	Not found
Nestle	425,994	Yes
Colgate	237,299	Yes
Reckitt	161,045	Yes
Nissin Foods	142,900	Yes
General Mills	91,707	Yes
Hershey	34,092	Yes

Kao has a particularly high exposure and responsibility since it is one of the largest palm oil users globally, is dependent on palm oil for 100% of its revenue, according to its latest publicly available CDP filing¹⁴, and has processing facilities in joint ventures with primary palm oil refiners.

It is notable that Kao's OWN grievance mechanism would have failed the assessment criteria laid out in a third-party NDPE report on its supply chain commissioned by Kao in April 2025¹⁵, underscoring how inadequate the current structure is.

¹³ See <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/kao-grievance-list.pdf>

¹⁴ <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2024-001.pdf>

¹⁵ <https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/ndpe-survey-report-2024.pdf>

1.3 Problematic RGE Group Exposure

Joint Venture and Partnership

In 2017, Kao established a joint venture in Dumai, Indonesia with Royal Golden Eagle Group subsidiary Apical for the manufacturing of fatty acids. It was predicted that the facility would increase Kao's global output capacity by 130%.¹⁶

Customs data analysis for Indonesian exports between January 2024 and August 2025 found that Apical shipped close to 65,000 tons of palm oil-based products valued at approximately US\$110 million to Kao from Indonesia, a further indicator of a close and very direct relationship and likely making RGE Group one of the largest if not the largest Indonesian palm oil suppliers to Kao.

Kao maintains a joint venture with APICAL, a subsidiary of Royal Golden Eagle (RGE) Group – publicly accused by NGOs of being one of the largest forest destroyers globally. Under Accountability Framework Initiative (AFI) definitions, Kao's relationship with APICAL extends to the broader RGE Group and its alleged network of shadow companies - of which Kao is also a prominent customer. This relationship could place Kao in violation of its own NDPE policy, which applies to all suppliers and joint venture partners.

RGE's Problematic Track Record

NGOs have alleged RGE's track record when it comes to the clearing and conversion of natural forests is one of the worst globally for both palm oil and pulp and paper. More than a dozen major deforestation and human right issues have been identified in the analysis including:

- A 2023 NGO investigation revealed wood sourcing from areas that cleared 37,000 hectares of tropical rainforest between 2016 to 2022.¹⁷
- RGE's Asian Agri mills have sourced palm fruit illegally from inside Tesso Nilo National Park over the past decade, according to reports.¹⁸ The reported 2023 violations – denied by Apical¹⁹ - occurred after both Kao's November 2018 and EU's December 2020 cutoff dates.
- On September 24, 2025, media reported that approximately 200 workers from an RGE Group owned pulp mill entered indigenous community land, resulting in 33 villagers allegedly being injured, including 18 women and one child with a disability²⁰. As a result, sustainable forestry product industry certification group FSC suspended its MoU with RGE subsidiary APRIL two days later.²¹

While Kao has a close relationship with RGE through its Apical entity when it comes to palm oil, it is unclear whether APRIL or other RGE pulp and paper entities supply timber products

¹⁶ See <https://www.apicalgroup.com/wp-content/uploads/2019/08/apical-kao-joint-venture-opens-in-indonesia-2019.pdf>

¹⁷ See https://environmentalpaper.org/wp-content/uploads/2023/05/20230523_Pulping_Borneo.pdf

¹⁸ See:

[https://www.eyesontheforest.or.id/uploads/default/report/EoF_\(08Jun18\)_Enough_is_Enough.pdf](https://www.eyesontheforest.or.id/uploads/default/report/EoF_(08Jun18)_Enough_is_Enough.pdf)
<https://www.sverigesnatur.org/aktuellt/illegal-palm-oils-route-to-sweden/>

¹⁹ <https://www.apicalgroup.com/sustainability/grievances/asian-agri-4/>

²⁰ <https://www.thestar.com.my/aseanplus/aseanplus-news/2025/09/24/dozens-injured-in-clash-between-pulp-company-workers-and-indigenous-group-near-indonesia039s-lake-toba>

²¹ <https://www.aprildialog.com/en/2025/09/27/april-group-statement-on-fsc-memorandum-of-understanding-suspension/>

to Kao. Unlike some other consumer goods companies Kao does not publish its pulp and paper supplier list, making independent verification difficult.

Given RGE remains certified by the less strict Programme for the Endorsement of Forest Certification (PEFC) (certificate renewed May 2025), it is possible that Kao sources pulp and paper from RGE entities while claiming to source from "certified" suppliers.

The use of shadow companies

In October 2024, a Bloomberg News investigation²² alleged the Tanoto family secretly controlled a network of 'shadow companies' responsible for massive deforestation, with nine former employees testifying to RGE's hidden oversight. A May 2025 report by Greenpeace²³ expanded on these findings, identifying 194 Indonesian and 63 overseas companies believed to operate as RGE shadow entities - holding approximately the same land area as acknowledged RGE companies.

The shadow company strategy is a well-documented tactic used to circumvent public ESG commitments. By channeling deforestation and problematic activities through nominally separate entities, corporate groups can maintain NDPE policies on paper while continuing destructive practices through undisclosed affiliates.

This is precisely why the AFI's corporate group definition, which Kao also has adopted, is designed to capture subsidiaries, affiliates, joint ventures, and entities under common control regardless of formal ownership structures.

If Greenpeace's analysis is correct, Kao's sourcing from RGE shadow companies would mean its supply chain includes entities engaged in ongoing deforestation that should be covered by Kao's NDPE commitments.

88 mills from these alleged shadow companies appear in Kao's latest mill disclosure list. By comparison, Unilever and Colgate had zero such mills in their supply chains.

Company	Mills from RGE Shadow Companies
Kao Corporation	88
Lion Corporation	59
Beiersdorf	51
Colgate Palmolive	0
Unilever	0

Source: Company mill list disclosures and Greenpeace report²⁴

²² <https://www.bloomberg.com/news/features/2024-10-16/billionaire-tanoto-family-accused-of-deforestation-as-it-taps-green-debt>

²³ https://www.greenpeace.org/static/planet4-international-stateless/2025/05/81617d3f-under-the-eagles-shadow_progress-190525_medres.pdf

²⁴ https://www.greenpeace.org/static/planet4-international-stateless/2025/05/81617d3f-under-the-eagles-shadow_progress-190525_medres.pdf#page=389

Royal Golden Eagle Shadow Companies

Even setting aside the contested ownership of the alleged RGE shadow network, and whether Kao's own definition of corporate group should compel a severing of business ties with RGE and Apical, many of the alleged mills -- including several from which Kao sources -- are on suspension lists by major brands and traders and have been publicly accused of questionable labor practices and deforestation.

PT Aditya Agroindo

- Part of DTK Opportunity Group (“RGE shadow network”)
- Procter & Gamble suspended in 2020 due to deforestation²⁵
- 312 hectares of forest loss since 2018 – after Kao’s cut-off date – based on third-party satellite data analysis²⁶
- May 2025: Alleged labor violation involving death of a worker's child by The Palm Oil Plantation Workers Union of West Kalimantan²⁷

PT Teguhkarsa Wanalestari

- Part of “RGE shadow network”
- Suspended by Golden Agri Resources in 2022²⁸
- 65 hectares of forest loss from October 2024 to 2025 – based on third-party satellite data analysis – which would be in violation of Kao’s own policies and potentially EUDR²⁹
- Blocked from supply chains of companies like Reckitt Benckiser³⁰

1.4 Inconsistent Definitions and Unclear Policy Application

Missing FPIC Definition

Free, Prior and Informed Consent (FPIC) is the principle that indigenous peoples and local communities have the right to give or withhold consent to projects affecting their lands, territories, and resources. It requires that consent be obtained *freely* (without coercion), prior to any activity commencing, and with full information about the proposed activity's scope and impacts.

Kao acknowledges the concept of Free, Prior and Informed Consent (FPIC) but it appears to have no specific implementation mechanisms to ensure supplier compliance. This public omission is critically concerning, especially given recent violent incidents involving RGE subsidiaries and indigenous communities in 2024 and 2025.

The company lacks a clear, public FPIC framework to:

- Verify indigenous land rights claims

²⁵ See https://s204.g4cdn.com/332108499/files/doc_downloads/esg/PG_ESG_Palm_Oils_Grievance_Tracker.pdf

²⁶ See Forest loss Analysis and satellite images from Nusantara Atlas. 2025. <https://nusantara-atlas.org/>

²⁷ See <https://terajufoundation.org/press-release-and-statement-by-the-federation-of-palm-oil-plantation-workers-union-of-west-kalimantan-fsbks/>

²⁸ See <https://www.goldenagri.com.sg/sustainability/responsible-sourcing/grievance-list-and-reports>

²⁹ See Forest loss Analysis and satellite images from Nusantara Atlas. 2025. <https://nusantara-atlas.org/>

³⁰ <https://www.reckitt.com/media/nqzopi02/reckitt-grievance-log-june-2024.pdf>

- Take action when rights are violated
- Provide a public reporting channel for violations

This is not a hypothetical risk. Astra Agro Lestari (AAL), one of the top ten mill operators by number of mills disclosed on Kao's mill list, has been cited by UN Special Rapporteurs for seizing land without local communities' consent. Notably, reporting of serious compliance violations are a KPI for President Hasebe's bonus.

Other inadequate or missing definitions

Kao's policy definitions are problematically vague. While referencing AFI definitions for deforestation and corporate groups, key terms like "forest," "natural ecosystem," and "conversion" remain undefined. For example, it commits to "zero deforestation" without clearly defining what constitutes a forest or natural ecosystem.

AFI Core Principle 1 requires protecting all natural ecosystems, not just forests. Without precise definitions, it becomes impossible to determine whether Kao's policy truly protects non-forest habitats like peatlands or ensures supply chain compliance with its stated commitments.

1.5 Over-Reliance on Weak Certification Models

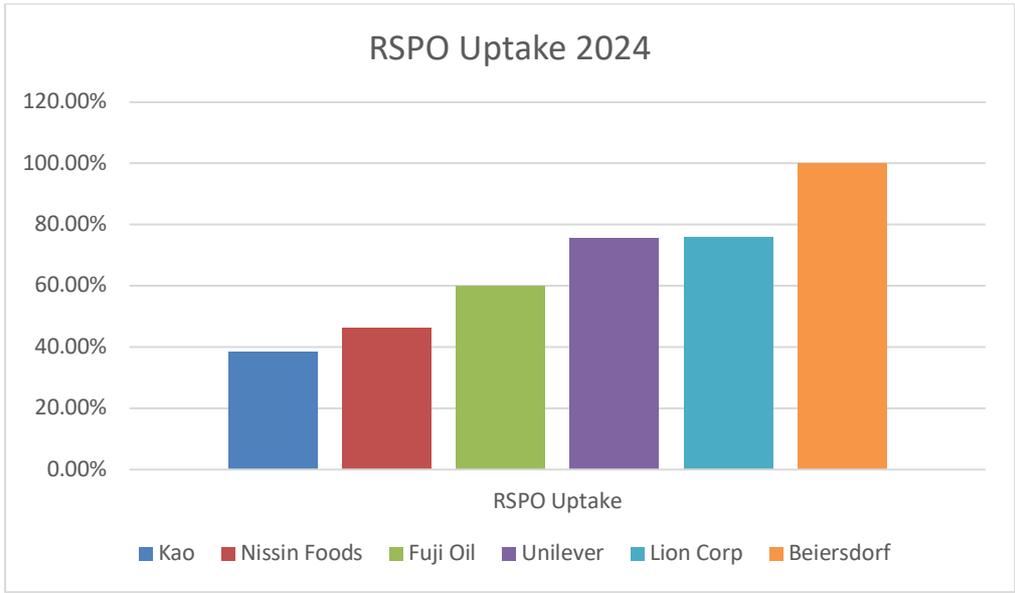
Excessive Book and Claim Sourcing

Even when Kao does source certified palm oil the analysis shows the company has an unusually high reliance on the weakest RSPO supply chain model: Book and Claim sourced palm oil. In 2024, three-quarters (75%) of Kao's certified palm oil fell under the Book and Claim model, according to its RSPO ACOP filings.

Under Book and Claim, there is no physical connection between the certified palm oil a company claims to support and the palm oil that actually enters its supply chain. A company purchases credits from certified producers while buying uncertified palm oil on the open market. The palm oil in Kao's products may come from any source, including mills linked to deforestation or human rights abuses. Indeed, the analysis of palm oil mills from which Kao sources found multiple cases where Kao's NDPE policy and its implementation have not prevented palm oil linked to deforestation or human rights abuses from entering the Kao supply chain.

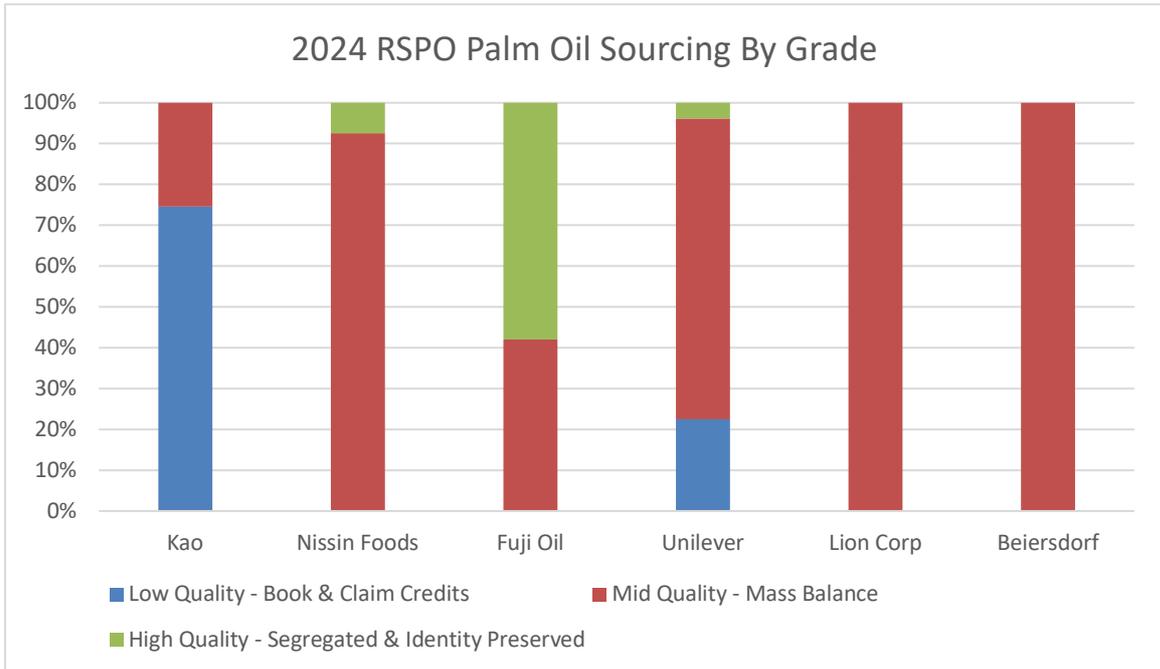
This is why the AFI states Book and Claim models are not suitable for implementing NDPE policies or making deforestation-free claims. A company cannot claim its supply chain is deforestation-free if it has no way of knowing where its palm oil actually comes from. None of Kao's competitors that were analysed were similarly reliant on this weakest traceability system.

Unilever had the highest reliance on Book & Claim among competitors analyzed, with Book & Claim representing approximately 22% of its RSPO-certified palm oil. Kao's reliance is 3.4 times higher at 75% of its 2024 RSPO volume. Most of Kao's competitors and other Japanese companies source significantly lower proportions of Book & Claim credits.



Source: RSPO

Kao ranks last among domestic peers in RSPO uptake and trails key international competitors. What little it does source is among the lowest quality – underscoring how much the Company lags peers rather than leads in sustainability practices.



Pulp and Paper Certification Gaps

For pulp and paper, Kao states it uses FSC, PEFC, and SFI (Sustainable Forestry Initiative) certification with 99.6% certification uptake³¹ at end 2024, close to its goal of sourcing 100% certified pulp and paper. However, the company does not disclose what percentage is FSC certified versus PEFC or SFI certified, or how much is segregated versus from mixed origins.

³¹ <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2025-e-all.pdf>

This distinction matters: While by no means perfect, FSC full forest management certification provides meaningfully stronger protection than PEFC and SFI.

Given that RGE's APRIL remains PEFC certified despite having lost its FSC certification, Kao could theoretically be sourcing from APRIL while claiming "certified" supply.

This lack of granular disclosure and the equal treatment of certification systems of different strength represents a significant transparency gap that prevents investors and other stakeholders from assessing the true sustainability profile of Kao's pulp and paper sourcing.

1.6 Inadequate Monitoring and Verification

Limited Site Verification

For verification, Kao states it conducts interviews with refineries regarding high-risk mills and that for "extremely high risk" mills, site inspections are done by third parties. The company states it "conducted on-site inspections at eight mills and verified information from refineries (Tier-1) by 2019."³²

However, no public information has been found about the identity of the mills, the third party carrying out site visits, or the outcome of these visits. No verification reports could be identified.

Critically, Kao appears to have not commissioned or carried out any site verification visits since 2019, based on its CDP disclosure, despite multiple mills in its supply chain being linked to recent deforestation and being suspended by other consumer goods companies.

This public absence of verification activity appears to directly contradict Kao's claims of transparency and robust supply chain monitoring.

A company that has not verified any high-risk mills for six years cannot credibly claim to be actively managing supply chain risks.

Supplier Compliance Assessment

While Kao's NDPE Survey Report (April 2025), covering 20 suppliers accounting for 92% of purchasing volume shows 91% of these suppliers by volume have an NDPE commitment a closer look shows that nearly one third of their procurement comes from sources with no NDPE commitment. One possible inference from the Survey Report is that approximately one-third of Kao's own supply chain therefore could be viewed as NDPE non-compliant.

Additionally, nearly half of the direct suppliers either have no target or a DCF target later than Kao's own deadline which undermines Kao's own stated aims.

These figures are particularly damning given Kao's history of missed and shifted deadlines and puts Kao's commitment to be deforestation free by end of 2025 in jeopardy.

Pulp and Paper Compliance Unknown

³² <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/cdp2024-001.pdf>

Kao reports 99.6% of its pulp and paper is "certified" but does not disclose the breakdown between FSC, PEFC, and SFI, how much is segregated versus mixed source, or actual NDPE compliance rates. This matters because PEFC and SFI allow harvesting of natural forests - which Kao's own NDPE policy prohibits. Products can be PEFC or SFI certified yet violate Kao's deforestation commitments. The problem is compounded by Kao's silence on segregation: certification schemes often allow certified material to be mixed with uncertified, and only fully segregated supply chains can guarantee deforestation-free sourcing. "99.6% certified" may sound reassuring, but investors cannot verify Kao's core promise that its supply chain is deforestation-free.

This opacity matters. APRIL, RGE's pulp subsidiary, has been FSC-suspended for deforestation, habitat destruction, and violence against indigenous communities - yet remains PEFC certified. Kao publishes no supplier list. Its "99.6% certified" supply could include APRIL material, and investors have no way to know.

1.7 Lack of Transparency in Key Disclosures

No Pulp and Paper Supplier Lists

Kao publishes bi-annual palm oil mill lists but discloses nothing on pulp and paper sourcing. This is a material blind spot - investors cannot determine whether Kao sources entities involved in deforestation and therefore have no way to gauge the reputational, regulatory, and financial risks the Company is engaging in.

Peers including Unilever, Procter & Gamble, and Colgate Palmolive all publish paper and fiber supplier lists. Kao's refusal to do so makes independent verification of its sustainability claims impossible.

Poor NDPE Compliance Reporting

Kao did disclose NDPE compliance data for palm— through a third-party survey it commissioned and released in April 2025³³.

Kao emphasizes traceability: 99% to mill, 91% to plantation. These figures sound impressive but high traceability does not mean high compliance.

Public reporting also confirms this: mills with documented deforestation - Citra Borneo Indah, the Fangiono Group, Astra Agro Lestari etc – are all recorded as Kao suppliers on its mill-list, and it has continued sourcing off them regardless.

Finally, when it comes to forestry products there is no disclosure at all.

³³ <https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/ndpe-survey-report-2024.pdf>

2 PART 2: PALM OIL SUPPLY CHAIN CONTROVERSIES

Case studies were compiled from cross-referencing Kao mill lists with grievance trackers, no-buy lists, and published investigations from NGOs, media, major palm oil traders and consumer goods companies.

2.1 Felda/FGV Holdings

FGV Holdings is a major supplier to Kao, with 71 mills listed in Kao's H2 2025 disclosure, making it one of the largest corporate groups in Kao's supply chain³⁴. FGV only became a major supplier to Kao in H1 2024 based on number of mills appearing in the Company Mill List.

Forced Labor, Sexual Violence, and Child Labor

In September 2020, U.S. Customs and Border Protection (CBP) issued a Withhold Release Order against FGV palm oil following a yearlong investigation that *"revealed forced labor indicators including abuse of vulnerability, deception, restriction of movement, isolation, physical and sexual violence, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, and excessive overtime."*³⁵

The CBP investigation also raised concerns that forced child labor is potentially being used in FGV's palm oil production process.

Prior to the U.S. ban, FGV had already faced serious scrutiny. In 2015, the Wall Street Journal published an article titled "Palm-Oil Migrant Workers Tell of Abuses on Malaysian Plantations"³⁶ alleging forced labor and sub-minimum wages at FGV operations.

The RSPO subsequently investigated and found significant breaches of its Principles & Criteria and Malaysian law linked to labor rights violations³⁷. The RSPO suspended FGV's Kilang Sawit Serting certification³⁸. After the suspension was lifted in August 2019, it was reimposed in January 2020 following further audit findings of violations regarding the treatment of migrant laborers³⁹.

³⁴ <https://www.kao.com/content/dam/sites/kao/www-kao-com/jp/ja/corporate/sustainability/pdf/progress-2025-001.pdf>

³⁵ <https://www.cbp.gov/newsroom/national-media-release/cbp-issues-detention-order-palm-oil-produced-forced-labor-malaysia>

³⁶ <https://www.wsj.com/articles/palm-oil-migrant-workers-tell-of-abuses-on-malaysian-plantations-1437933321>

³⁷ <https://rspo.my.site.com/Complaint/s/case/50090000028Es0aAAC/detail>

³⁸ See https://rspo.my.salesforce.com/sfc/p/#90000000YoJi/a/90000000PagQ/ZW4jz6LO5zY01E.T_qS04uHRv0ha1iJt8CgYScuVt4

³⁹ <https://rspo.org/rspo-statement-regarding-complaints-panel-decision-on-felda-global-venture-holdings/>

Actions by Kao's Peers

Unilever placed FGV on its no-buy list in January 2018,⁴⁰ where it remains as of its latest No Buy List release. Hershey also stopped buying from FGV in December 2018.⁴¹ General Mills lists FGV as suspended⁴² as of its latest Grievance Log (October 2025).

Kao's Position

Despite the U.S. import ban and peer company suspensions, Kao made FGV one of its largest suppliers in 2024. More than half of the FGV mills on Kao's H1 2025 list were either not RSPO certified or lacked certification status information. This appears inconsistent with Kao's goal to source 100% RSPO certified palm oil by 2025.

In January 2026 US CBP lifted its ban on FGV imports of palm oil into the United States after finding the company had taken sufficient action to address allegations of forced labor. Without a public grievance list or re-entry criteria, it is not known why Kao decided to significantly increase sourcing from FGV while many of its peers have not done so and while the U.S. ban was in place.

2.2 Astra Agro Lestari (AAL)

PT Astra Agro Lestari is a major Indonesian palm oil company managing over 280,000 hectares across Sumatra, Kalimantan, and Sulawesi. AAL is ultimately controlled by Hong Kong-based Jardine Matheson through its investment holdings.

Kao has been sourcing from AAL for many years and the number of AAL mills in its supply chain has increased from 10 in 2019 to 19 in H1 2025 although as of H2 it had declined to 12 mills and nonetheless made AAL a major supplier based on number of palm mills on Kao's supplier list.

UN Special Rapporteurs' Findings

In October 2024, several UN Special Rapporteurs found that Astra Agro Lestari has been linked to land conflicts, large amounts greenhouse gas emissions, *and to the "intimidation and harassment against community members, Indigenous Peoples and environmental human rights defenders, including women human rights defenders."*⁴³

The UN report found that AAL's drainage of peatlands alone is estimated to cause annual greenhouse gas emissions of 2.0 million tons of CO₂, equivalent to the annual carbon emissions of 830,000 cars.

Land Grabbing and Violence

In 2020, the Indonesian NGO WALHI advised Procter & Gamble that AAL subsidiaries PT Agro Nusa Abadi, PT Mamuang, and PT Lestari Tani Teladan "have unilaterally claimed and seized land belonging to local farmers."⁴⁴ WALHI documented cases of paying below

⁴⁰ <https://www.unilever.com/files/suspended-or-nobuy-list-of-palm-oil-companies.pdf>

⁴¹ <https://www.thehersheycompany.com/content/dam/hershey-corporate/documents/responsible-sourcing/palm-oil-sourcing/The%20Hershey%20Company%27s%20Palm%20Oil%20Grievance%20Log.pdf>

⁴² <https://www.generalmills.com/how-we-make-it/healthier-planet/sustainable-and-responsible-sourcing/palm-oil>

⁴³ <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gld=29368>

⁴⁴ https://www.wilmar-international.com/docs/default-source/default-document-library/sustainability/grievance/grievance-case-report/surat-untuk-pg-letter_walhi_public.pdf?sfvrsn=fc262385_2

minimum wage, criminalization leading to imprisonment of community members, and seizure of thousands of hectares of land.

In October 2024, following the UN report, additional allegations emerged of violence by AAL subsidiaries alongside Indonesia's Mobile Brigade Corps (Brimob)⁴⁵. Community members reported that on October 8, Brimob officers fired shots to suppress protests against PT Agro Nusa Abadi's actions on contested lands. On October 22, Brimob threatened to confiscate palm oil fruit from farmers while the AAL subsidiary harvested on disputed territory.

Investor Actions

In April 2023, BlackRock voted against the re-election of AAL's board of directors, citing environmental and human rights abuses documented by NGOs and having attempted unsuccessfully over several years to engage with the company on its *"approach to natural capital and the company's impact on people, including human rights"*⁴⁶.

In February 2024, Norges Bank announced the exclusion of AAL's parent companies from Norway's Government Pension Fund Global (the world's largest sovereign wealth fund) citing the **"unacceptable risk** of the company contributing to or being responsible for **severe environmental damage"**.

Actions by Kao's Peers

By May 2025, major consumer goods companies including Procter & Gamble⁴⁷, L'Oreal⁴⁸, Friesland Campina, Nestlé, and Pepsico⁴⁹ had either fully suspended sourcing from AAL or suspended the specific subsidiaries linked to violations.

Kao's Position

While Kao's peers have suspended AAL and major institutional investors have excluded the corporate group, Kao has increased the number of AAL mills it sources from. In H1 2023, Kao sourced from mills (Letawa and Pasangkayu) that have been linked to the controversial AAL subsidiaries, when the allegations were already in the public domain.

In May 2025, Kao provided a response to the Business & Human Rights Resource Centre stating it was "in the process of confirming with the suppliers the latest situation regarding PT Astra Agro Lestari." This is one of the few times Kao has publicly responded to a supply chain grievance. No further public statements have been found since.

2.3 First Resources and the Fangiono Group

The Fangiono Group's complex network of companies has been repeatedly labeled by environmental NGOs and media outlets as one of Indonesia's largest palm oil deforesters⁵⁰

⁴⁵ <https://foe.org/news/violence-threats-aal-indonesia/>

⁴⁶ <https://www.blackrock.com/corporate/literature/press-release/vote-bulletin-astra-agro-lestari-april-2023.pdf>

⁴⁷ <https://www.business-humanrights.org/en/latest-news/procter-gambles-response-to-allegations-associated-with-aal/>

⁴⁸ <https://www.business-humanrights.org/en/latest-news/or%C3%A9als-response-to-allegations-associated-with-aal/>

⁴⁹ <https://www.reuters.com/markets/commodities/pepsico-frieslandcampina-halt-business-with-palm-oil-supplier-2023-03-10/>

⁵⁰ See <https://www.icij.org/investigations/deforestation-inc/new-investigation-casts-doubt-on-a-singapore-listed-palm-oil-giants-green-claims/>

and reportedly controlled by the family of the same name which also controls First Resources, a major palm oil refiner and trader. The Sulaidy/KAS Group (also reportedly controlled by the Fangiono family) was named Indonesia's largest deforester in 2018 and 2019, clearing nearly 7,000 and 12,700 hectares respectively, according to one NGO group⁵¹. In 2023 and 2024, another Fangiono-linked entity, Ciliandry Anky Abadi (CAA), were alleged to have been Indonesia's biggest palm oil deforester based on satellite analysis⁵².

According to Kao's mill lists, it sourced from Fangiono-affiliated mills in 2021 (FAP Agri), H1 2022 (First Resources), and added PT Agro Manunggal Selaras (linked to Sulaidy/KAS Group) in H1 2025 which continues to remain on the mill list in H2.

Ongoing Deforestation (2023-2025)

Deforestation by the Fangiono network appears to continue.

Analysis carried out for this report shows further deforestation in suspected Sulaidy/KAS Group concessions around the PT Agro Manunggal Selaras mill from which Kao sources, including approximately 175 hectares cleared between July 2023 and July 2025 in PT Borneo Citra Persada Jaya concessions (the same concession where the mill is located and based on grievances filed with Fuji Oil⁵³ and Unilever⁵⁴ indicate a linkage to the Sulaidy Group as well as possibly being the same companies/corporate group).

A 2023 investigation reported that shadow companies controlled by First Resources have cleared 89,000 hectares of rainforest in Indonesian Borneo since 2008⁵⁵.

The International Consortium of Investigative Journalists mapped the history of deforestation by First Resources shadow companies, documenting spikes in clearing after First Resources joined the RSPO and made its zero-deforestation pledge⁵⁶.

Corporate Background

The Fangiono Group is controlled by Martias Fangiono and his family, comprising First Resources, FAP Agri, the Sulaidy/KAS Group, Ciliandry Anky Abadi (CAA), and other entities. Martias Fangiono was reportedly jailed and fined in December 2007 after Indonesian officials discovered he had developed a scheme to gain illegal access to rainforest by securing plantation licenses while sidestepping legal requirements, then logging the land. His company PT Surya Dumai Industri was delisted from the Indonesian Stock Exchange⁵⁷. Despite this conviction, Martias restructured his assets into new groups. In the same month he was sentenced, First Resources was listed on the Singapore stock exchange with his son as CEO.

RSPO Complaint Outcome

In August 2025, the RSPO Complaints Panel issued its decision on a 2021 complaint alleging First Resources profited from destructive operations through shadow companies. The Panel

⁵¹ <https://thegeckoproject.org/articles/chasing-shadows/>

⁵² <https://nusantara-atlas.org/industrial-palm-oil-deforestation-in-indonesia-slows-slightly-in-2024/>

⁵³ https://www.fujioil.co.jp/pdf/en/sustainability/grievance_mechanism/2506_public_grievance_list.pdf

⁵⁴ <https://www.unilever.com/files/suspended-or-nobuy-list-of-palm-oil-companies.pdf>

⁵⁵ <https://thegeckoproject.org/articles/chasing-shadows/>

⁵⁶ <https://www.icij.org/investigations/deforestation-inc/new-investigation-casts-doubt-on-a-singapore-listed-palm-oil-giants-green-claims/>

⁵⁷ <https://eia-international.org/wp-content/uploads/2025-EIA-UK-A-Family-Affair-SPREADS.pdf>

found First Resources had not breached membership rules due to narrow definitions but sanctioned the company with a three-month suspension for misleading communications about its relationship to shadow group FAP Agri⁵⁸.

Actions by Kao's Peers

- Unilever stopped sourcing from First Resources in Q1 2018 and maintains no-buy positions on Fangiono-related groups.⁵⁹
- P&G does not source from CAA, Sulaidy Group, or KAS Group⁶⁰.
- Nestlé added Sulaidy Group and CAA to its no-buy list in 2018 and added PT Borneo Citra Persada Jaya between 2021-2025⁶¹.
- Hershey suspended CAA in 2020 and placed no-buy orders on Sulaidy-associated companies in 2023⁶².
- Cargill suspended CAA in February 2018⁶³.

Kao's Position

It is particularly concerning that PT Agro Manunggal Selaras, one of the highest-risk mills within the Fangiono network, entered Kao's supply chain in 2025 and remains on the list as of H2 2025, following years of public allegations that the Sulaidy/KAS Group had been one of Indonesia's largest deforesters for multiple years and deforestation was reported to have continued into 2024 and 2025.

This could be considered an egregious violation of Kao's NDPE policy, which applies to the corporate group of suppliers and has a deforestation cutoff date of November 2018.

2.4 PT Aceh Trumon Anugerah Kita

This mill first appeared in Kao's H1 2025 disclosure, following scandals linking it to illegal plantations inside the Rawa Singkil Wildlife Reserve.

Illegal Sourcing from Orangutan Sanctuary

The Rawa Singkil reserve has been described as the "orangutan capital of the world" because it has the densest population of Sumatran orangutans anywhere, with 1,500 recorded individuals (10% of the species' total population).

⁵⁸

<https://rspo.my.salesforce.com/sfc/p/#90000000YoJi/a/Mg000004Abjx/icWidODf2xcyxt2GJnxPsuoHCtpOvipKtl3oaBHfUWI>

⁵⁹ <https://www.unilever.com/files/people-and-nature-grievance-tracker.pdf>

⁶⁰ https://s204.q4cdn.com/332108499/files/doc_downloads/esg/PG_ESG_Palm_Oils_Grievance_Tracker.pdf

⁶¹ <https://www.nestle.com/sustainability/responsible-sourcing/palm-oil>

⁶² <https://www.thehersheycompany.com/content/dam/hershey-corporate/documents/responsible-sourcing/palm-oil-sourcing/The%20Hershey%20Company%E2%80%99s%20Palm%20Oil%20Grievance%20Log.pdf>

⁶³ <https://www.cargill.com/sustainability/palm-oil/managing-grievances>

In November 2024, Rainforest Action Network published an investigation finding that PT Aceh Trumon Anugerah Kita (PT ATAK) had been supplied with fresh fruit bunches grown illegally inside the Rawa Singkil Wildlife Reserve⁶⁴.

Actions by Kao's Peers

Several companies took action even before the RAN investigation was published.

- Unilever categorized the mill as high-risk and required robust traceability before allowing any supply⁶⁵ and PT ATAK was not on Unilever's latest mill list.
- P&G required suspension of PT ATAK from its supply chain in October 2024⁶⁶.
- Colgate Palmolive suspended PT ATAK in April 2024⁶⁷.
- Nestlé added it to its no-buy list between 2021-2025⁶⁸.

Kao's Position

Kao began sourcing from PT ATAK after the publication of evidence of illegal sourcing from an orangutan sanctuary and after many peers had already suspended it. This raises serious doubts about the effectiveness of Kao's monitoring and verification processes. The mill remains on Kao's list as of H2 2025.

2.5 Citra Borneo Indah Group

Kao commenced sourcing from Citra Borneo Indah (CBI) and its subsidiary Sawit Sumbermas Sarana (SSMS) in 2024, according to its historical mill list disclosure. CBI controls 16 palm oil concessions covering 123,000 hectares.

Deforestation in CBI concessions

Since Kao's 2018 deforestation cutoff, approximately 4,470 hectares of forest have been lost inside CBI concessions, based on satellite image analysis from third parties⁶⁹.

This includes ongoing deforestation in 2024 and 2025.

- Analysis using third-party satellite data found 52 hectares of forest loss inside one CBI subsidiary (PT Tanjung Sawit Abadi) between October 2024 and October 2025.
- Another subsidiary (PT Menteng Kencana Mas) cleared approximately 123 hectares on peatlands between September 2020 and August 2022, based on the same third-party data.

Actions by Kao's Peers

⁶⁴ https://www.ran.org/wp-content/uploads/2024/11/RAN_Orangutan_Capital_Under_Siege_2024.pdf

⁶⁵ <https://www.unilever.com/files/people-and-nature-grievance-tracker.pdf>

⁶⁶ https://s204.q4cdn.com/332108499/files/doc_downloads/esg/PG_ESG_Palm_Oils_Grievance_Tracker.pdf

⁶⁷ https://www.colgatepalmolive.com/content/dam/cp-sites/corporate/corporate/en_us/corp/locale-assets/pdf/colgate-palmolive-s-palm-oil-grievance-log-update-march-2025.pdf

⁶⁸ <https://www.nestle.com/sustainability/responsible-sourcing/palm-oil>

⁶⁹ <https://nusantara-atlas.org/>

- Unilever added Sawit Sumbermas Sarana to its no-buy list in June 2017⁷⁰.
- Bunge suspended CBI in 2018⁷¹.
- Golden Agri Resources states that SSMS has been non-compliant since 2015⁷².

Kao's Position

Despite this industry response, Kao began sourcing from CBI in 2024 without public explanation of why sourcing from a company on multiple no-buy lists is consistent with its NDPE policy.

2.6 Grupo Oleoflores (Colombia)

Kao has sourced from Grupo Oleoflores' palm oil mill since H1 2024. Oleoflores is a large vertically integrated company in Colombia managing around 55,000 hectares.

Human Rights Abuses

In November 2024, a complaint was filed with the RSPO (accepted January 2025) by the Forest Peoples Programme and affected communities⁷³. The complaint alleges the Oleoflores Group has engaged in "territorial expropriation, land grabbing, deforestation, water dispossession and the illegal privatization of communal resources and community rights of way."

Actions by Kao's Peers

Major palm oil trader Louis Dreyfus (LDC) has stopped sourcing from Oleoflores stating: "LDC acknowledges the current RSPO grievance investigation in process and has them on a no-buy list until RSPO makes public the conclusion of the process."⁷⁴

Kao's Position

Grupo deforestation Grupo Oleoflores mills continue to be found in Kao's latest mill supplier disclosure at the time of writing (H2 2025 mill list) and without any public grievance list and non-compliance protocol, it is not known whether Kao even has systems to monitor cases in place and what actions the company may or may not be taking to address them.

2.7 Additional Cases

2.7.1 *Abdi Budi Mulia Group (ABM Group)*

⁷⁰ <https://www.unilever.com/files/suspended-or-nobuy-list-of-palm-oil-companies.pdf>

⁷¹ <https://www.arcgis.com/apps/dashboards/8e244a500b6746328f29aa14053993dd>

⁷² <https://www.goldenagri.com.sg/sustainability/responsible-sourcing/grievance-list-and-reports/>

⁷³ <https://rspo.my.site.com/Complaint/s/case/500GB00003xVxmPYAS/detail>

⁷⁴ https://www ldc.com/wp-content/uploads/Published-Grievance_Master-Apr-25.pdf

Kao has sourced from ABM mills since 2021. In May 2024, NGO Mighty Earth reported 11,630 hectares of tree cover loss between 2019-2023 in a concession 74% owned by PT Abdi Budi Mulia⁷⁵, with additional clearing continuing into 2025 according to third-party satellite data⁷⁶.

- Golden Agri Resources considers ABM non-compliant as of October 2025⁷⁷.
- Unilever states all linked suppliers have suspended purchases⁷⁸.
- P&G required its suppliers to suspend ABM subsidiaries⁷⁹.

Kao should have known of the deforestation since May 2024, yet ABM continued to be listed as a supplier on the latest available mill lists at the time of writing.

2.7.2 Pundi Lahan Khatulistiwa (PLK)

Kao sourced from PLK in H1 2022 and from H2 2023 to H2 2025.

NGOs have linked Pundi to peat forest clearance after Kao's November 2018 cutoff⁸⁰, and PLK is also alleged to have sourced from the Sulaidy/KAS Group⁸¹ (reportedly one of Indonesia's largest deforesters).

- Golden Agri Resources considers PLK non-compliant⁸².
- Cargill maintains a no-buy position⁸³.
- ADM has adopted a no-buy position as of its last Grievance Log in February 2025⁸⁴.
- Bunge has suspended PLK⁸⁵.

⁷⁵ https://mightyearth.org/wp-content/uploads/2024/11/RR-Report-44_final_vers_e.pdf

⁷⁶ <https://nusantara-atlas.org/>

⁷⁷ <https://www.goldenagri.com.sg/sustainability/responsible-sourcing/grievance-list-and-reports/>

⁷⁸ <https://www.unilever.com/files/people-and-nature-grievance-tracker.pdf>

⁷⁹ https://s204.q4cdn.com/332108499/files/doc_downloads/esg/PG_ESG_Palm_Oils_Grievance_Tracker.pdf

⁸⁰ <https://www.mightyearth.org/wp-content/uploads/Rapid-Response-Report-12.pdf>

⁸¹ <https://news.mongabay.com/2021/02/indonesia-top-10-palm-oil-deforester-chain-reaction-research-2020/>

⁸² <https://www.goldenagri.com.sg/sustainability/responsible-sourcing/grievance-list-and-reports/>

⁸³ <https://www.cargill.com/sustainability/palm-oil/managing-grievances>

⁸⁴ https://www.adm.com/globalassets/sustainability/sustainability-reports/grievance--resolution-logs/grievance-and-resolution-log-new_11_feb_2025.pdf

⁸⁵ <https://www.arcgis.com/apps/dashboards/8e244a500b6746328f29aa14053993dd>

3 PART 3: ASSESSMENT OF KAO CORPORATION'S ESG STRATEGIES

3.1 The Kirei Lifestyle Plan: Structural Weaknesses

Kao first announced its current ESG strategy, the Kirei Lifestyle Plan (KLP), in April 2019⁸⁶. The framework consists of three overarching commitments and 19 detailed leadership actions. However, a critical examination reveals that the three main commitments are vague and not measurable, and this fundamental weakness extends to many of the 19 subsidiary actions.

Commitment 1: "Making My Everyday More Beautiful" - Marketing Over Substance

The actions under this commitment are particularly problematic. Some appear related more to business growth initiatives than genuine ESG objectives. The "Improved Quality of Life" target aims to increase the "Number of products which contribute to a comfortable, beautiful, healthy life and touch the heart of people." In practice, this translates to marketing activities designed to widen Kao's market reach, including programs like "going to nursery schools by Kao" and baby skincare awareness campaigns.

The claimed environmental and social impacts are notable for their lack of substance. Kao's stated impacts include vague aspirations such as "contribution to enriching the hearts of consumers through manufacturing, experiences, and story creation," "enhancing the effects of external collaboration on enjoying more beautiful lives," and "improvement of the standard of living with products and services that improve QOL through new technologies." None of these statements constitute measurable environmental or social commitments.

The Universal Product Design commitment similarly raises questions about whether it qualifies as legitimate ESG activity. Initiatives under this banner include launching an automatic foam hand soap dispenser and redesigning detergent bottles. Kao's claimed impacts, such as "contribution to a richer life for diverse consumers" and "improved safety and efficiency in product use," lack any meaningful connection to environmental or social issues.

Commitment 2: "Making Thoughtful Choices for Society" - Imprecise Objectives

This commitment also contains actions and targets that lack ESG-related substance. The "Sustainable Lifestyle Promotion" action hopes to achieve impacts such as "improved consumer satisfaction with daily life through sustainable lifestyle proposals," "expansion of enriched lifestyles through the ripple effect of next-generation education on families," and "contribution to building a sustainable world by driving transformation towards sustainable lifestyles." These statements provide no measurable basis for assessing performance and cannot be independently verified.

The "Transformative Product Innovation" action claims to solve social issues through innovative products. However, the 2025 examples cited include Toilet Magiclean Foam Pack and lamellar structured shampoo technology.

Repackaging standard commercial product development as ESG achievement suggests a strategy that prioritizes optics over substance.

⁸⁶ <https://www.kao.com/global/en/newsroom/news/release/2019/20190422-001/>

Finally, the broad lack of measurable or quantitative metrics raises questions about the suitability of this plan as a cornerstone for awarding senior executive compensation.

3.2 Greenhouse Gas Emissions Strategy: Ambitious Claims, Questionable Execution

Commitment and Roadmap Concerns

In 2021, Kao set a target of achieving carbon zero by 2040 and carbon negative by 2050⁸⁷. The company tracks three key targets: 22% reduction in absolute full lifecycle CO₂ emissions by 2030 (versus 2017); 55% reduction in absolute scope 1+2 emissions by 2030; and 100% renewable energy in electricity by 2030⁸⁸.

The company provides a roadmap that lacks specificity. Instead of concrete action plans, the roadmap focuses on vague and aspirational language such as "proactively introducing innovative technologies," "accelerating the application of carbon utilization technologies," and "expanding the application of refined technologies." No detailed plan covering carbon reduction potential within Kao's operations could be found.

Compared to the Science Based Target initiative (SBTi) framework⁸⁹, which emphasizes that carbon removal should only address residual emissions after 90%+ reductions have been achieved, Kao appears over-reliant on carbon capture and removal technologies compared to direct emissions reductions.

Net Zero Tracker: Poor Peer Comparison

Kao's emissions reduction plan and progress rated poorly compared to its peers according to the Net Zero Tracker⁹⁰, a collaboration of the University of North Carolina-Chapel Hill, Oxford Net Zero, the Energy & Climate Intelligence Unit, and the New Climate Institute. The tracker assesses the world's 2,000 largest publicly-listed companies.

Kao received the worst assessment among its peer group, with red marks for Scope 3 coverage and carbon credit use. The company received an orange assessment for having an incomplete plan to achieve net zero. In comparison, Beiersdorf, Henkel, L'Oreal, Procter & Gamble, and Unilever all scored better with green indicators in three categories. Even Colgate Palmolive, while having only one green indicator like Kao, has fewer red indicators.

⁸⁷ <https://www.kao.com/global/en/newsroom/news/release/2021/20210519-001/>

⁸⁸ <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2025-e-all.pdf>

⁸⁹ <https://sciencebasedtargets.org/net-zero>

⁹⁰ <https://zerotracker.net/>

NAME ↑↓	COUNTRY ↑↓ All	SECTOR ↑↓ All	PRIVATE? ↑↓ All	ANNUAL REVENUE ↓	TARGET YEAR ↑↓ All	TARGET TYPE ↑↓ All	END TARGET STATUS ↑↓	INTERIM TARGET ↑↓ All	DETAILED PLAN ↑↓	REPORTING MECHANISM ↑↓	SCOPE 3 COVERAGE ↑↓	CARBON CREDITS ↑↓
KAO	JPN	Materials	No	\$11bn	2050	Carbon negative	In corporate strategy	2030	●	●	●	●
Beiersdorf	DEU	Materials	No	\$9bn	2045	Net zero	In corporate strategy	2032	●	●	●	●
Colgate-Palmolive	USA	Materials	No	\$20bn	2040	Net zero	In corporate strategy	2030	●	●	●	●
Henkel	DEU	Materials	No	\$23bn	2045	Net zero	In corporate strategy	2025	●	●	●	●
L'Oréal	FRA	Materials	No	\$47bn	2050	Net zero	In corporate strategy	2030	●	●	●	●
Procter & Gamble Commeau	USA	Materials	No	\$84bn	2040	Net zero	In corporate strategy	2030	●	●	●	●
Unilever	GBR	Materials	No	\$66bn	2039	Net zero	In corporate strategy	2025	●	●	●	●

Carbon Strategy Conclusion

Kao's overall emissions reduction commitment to become "carbon negative" is more ambitious than peers' commitments, but there are significant doubts about achievability. While Kao has achieved some reduction in scope 1 and 2 emissions, it remains far from net zero emissions, let alone carbon negative status.

Unlike some competitors, Kao relies heavily on vague promises of future technologies without providing specificity about these technologies or their emission reduction potential. Without additional details, Kao's goals and promises to become carbon neutral or carbon negative risk being purely aspirational rather than grounded in reality.

3.3 Plastic Packaging Strategy: Ambitious Targets Without Credible Pathways

Historical Context: Late Start and Weak Foundation

Until the release of the Kirei Lifestyle Plan in 2019, Kao's plastic waste and recycling policy was comparatively weak. While the company promoted its 4R program (Reduce, Replace, Reuse, Recycle), there were few measurable targets. Total plastic usage actually increased in the years following the release of the Kirei Lifestyle Plan.

Changes in amount of plastic packaging used (in thousand tons)

Item	2019	2020	2021	2022
Amount of plastic packaging used	65.6	116.6	92.9'	90.8'

Source: Kao Sustainability Report 2023⁹¹

Recyclability Reporting: A Concerning Gap

Kao's 2019 and 2020 reports included a 2025 midterm goal to "shift to 100% recyclable, reusable packaging."⁹² Notably, later reports dropped this time-bound goal entirely, with full

⁹¹ <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2023-e-all.pdf>

⁹² See 2019 Sustainability Report, <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2019-e-010.pdf>

recyclability becoming a goal without any deadline. No explanation was provided for this removal.

It is worth noting, percentage progress on plastic recycling is a key component of the senior management team's variable bonus.⁹³

Recycled Content: Severely Lagging Behind Peers

Kao has set a target of achieving a 50% "recycling rate of plastics involving Kao" by 2030⁹⁴. As of 2024, the company stands at just 8% (up from 6% in 2023). Using a linear growth progression from the 2021 baseline, Kao would only meet its goal by 2042, missing the 2030 target by over a decade.

Of particular concern is how severely Kao trails its competitors. All international peers included in the comparison achieved at least twice Kao's rate of recycled plastic content. L'Oreal achieved nearly four times Kao's rate when including bio-based plastic. This performance gap represents a significant competitive and reputational risk.

Company	Recycled Plastic Content (2024)
Kao Corporation	8%
Beiersdorf	16%
Colgate Palmolive	21%
Henkel	25%
L'Oreal	37% (recycled or biobased)
Procter & Gamble	17%
Unilever	22%

Overall Plastic Reduction: Missing Targets and Weak Baselines

Kao does not have a defined reduction target from a baseline year like all of its included peers. Instead, the KLP simply states that fossil-based plastics "will peak and begin to decline." This commitment is vague and comes with no evidence to substantiate the claim. Peers disclose specific reduction targets from defined baseline years - Kao does not.

Historical context is revealing. Between 2019 and 2020, Kao reported a 78% increase in overall plastic packaging use. The company's 2024 figure of 86,000 tons remains 30% higher than 2019 levels. None of Kao's peers use a baseline later than 2019 for their plastic reduction targets. Kao's fossil-based plastic packaging declined from 91,000 tons in 2021 to 79,000 tons in 2024, though the 2024 figure was unchanged from 2023 after upward corrections⁹⁵.

2020 Kirei Lifestyle Plan Progress Report. <https://www.kaosalondivision.com/content/dam/sites/kaousa/www-kaosalondivision-com/redesign-pdf/sustainability-kao-corp/klp-pr-2020-e-all.pdf>

⁹³ <https://www.kao.com/global/en/corporate/policies/corporate-governance/compensation/>

⁹⁴ <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2025-e-all.pdf>

⁹⁵ <https://www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/sustainability2025-e-all.pdf>

Plastics Conclusion

Even though Kao reports some figures on overall plastic use and recycled content, the company is far behind its peers in progress. It is difficult to see how Kao could achieve its ambitious goals when many of its proposed solutions – such as Chemical Recycling among others - remain in trial stages and have not been scaled or proven commercially viable. There does not currently appear to be a credible pathway for Kao to achieve its stated objectives.

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 highlights the principal findings and has been translated into Japanese for the benefit of Japanese stakeholders. 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.