

# **Sustainable and Responsible Sourcing**

Jan. 24, 2018  
Kao Corporation  
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# Topics of High School Textbooks

## 「持続可能な社会」の 実現に向けて

1960年代後半

新家庭基礎21 (実教出版)

1971年

・環境庁の設置

改定新編 生物基礎 (東京書籍)



### ボルネオ島の熱帯多雨林と私たちの暮らし

20世紀後半から21世紀にか  
る「地球市民の時代」と呼ぶべ  
器まであらゆるものが国際貿易  
発展途上国での飢餓・貧困の問  
丸となって解決しなければなら  
困難な課題を克服するための  
発展(SD\*)」の考え方で、国連  
ラント報告(1987年)で示され  
した(年表参照)。

それは、現在の世代が将来の  
めざす考え方で、現代世代の  
して、経済と環境と社会のバラ  
これからの世界では、地球とい  
安心して暮らし、他の生物たち  
食」の実現が強く求められてい  
「持続可能な発展」の理念  
「地球と共に暮らす家族の一員

熱帯多雨林は、地上の約4%をよめるにすぎない。が奪われ、生物多様性の低下が懸念されている事例  
が、もっとも生物多  
世界の島のなかで面  
(インドネシア・マ  
ジャ最大の熱帯多  
ルネオゾウなど約2  
ウなど約660種以上  
ては未知のものが多  
しかし、ボルネオ島  
林が減少し続けてお  
れている。

ボルネオ島の熱帯  
ボルネオ島全土の熱  
年にはボルネオ島全  
とがわかった。

ボルネオ島の熱帯  
用の木材を調達する  
の生産を目的とした  
の開発などによるも  
菓子、冷凍加工食品  
んどの食品にパーム  
生産されるパーム油  
レーシアのブランド

ボルネオ島で続い  
たち人間の活動によ

## Borneo's Moment of Truth

### Part 1

[教科書 p.46]

Genius English Communication I (大修館)

#### Pre-Reading

あなた自身のことについて答えよう。

Do you know where Borneo is?  Yes, I do.  Maybe, but not quite sure.  No, I have no idea.

#### Text

Hello, everyone. // Welcome to my presentation. // My name is Agung Alatas / and I'm from Indonesia. // My presentation today / is about the destruction of the rainforest in Borneo. //

Since you may not know that much / about this part of the world, / I'll begin with the basics. // Borneo is the third largest island in the world / and nearly twice as large as Japan. // As you can see on this map, / Borneo sits right on the equator. // There're three regions, / and they are governed separately by Indonesia, Malaysia and Brunei. // The Indonesian area / makes up more than 70 percent of the island / both by land and by population. //

Since long ago / peoples from around the world / have been robbing Borneo / of its rich natural resources. // Some came for rhinoceros horn, / others for pepper and gold. // After the island came under the rule of Britain and the Netherlands / in the early 19th century, / its rainforest began to be cut down. //

#### 日本の世界への貢献

日本は国連など国際社会における  
貢献として、従来の国防中心の安全  
障に對して、人々に寄り添った  
間の安全保障」の理念を示し(19  
年「国連年次報告」に記載)、「持  
可能な開発のための教育(ESD)  
年」などを推進してきた。深刻  
る地球環境問題や自然災害に対  
べく日本の経験を国際的に共有  
いく役割が期待されている。

# Company Outline

KaO

Enriching lives, in harmony with nature.

(As of December 31, 2016)

Company Name	Kao Corporation
HQ Address	Nihombashi Kayabacho Tokyo Japan
Founded	June 1887 <a href="#">130 years history</a>
Incorporated	May 1940
Net sales	¥1,457.6 billion <a href="#">US\$13.4billion</a>
Operating Income	¥ 185.6 billion <a href="#">US\$ 1.7billion</a>
Capital	¥ 85.4 billion
Employees	33,195 (consolidated number)



Head Office, Tokyo



# Consolidated Net Sales by Segment

**Chemical Business**  
¥273.8 billion 16.3

**Consumer Products Business**  
¥1,219.9 billion 83.7%



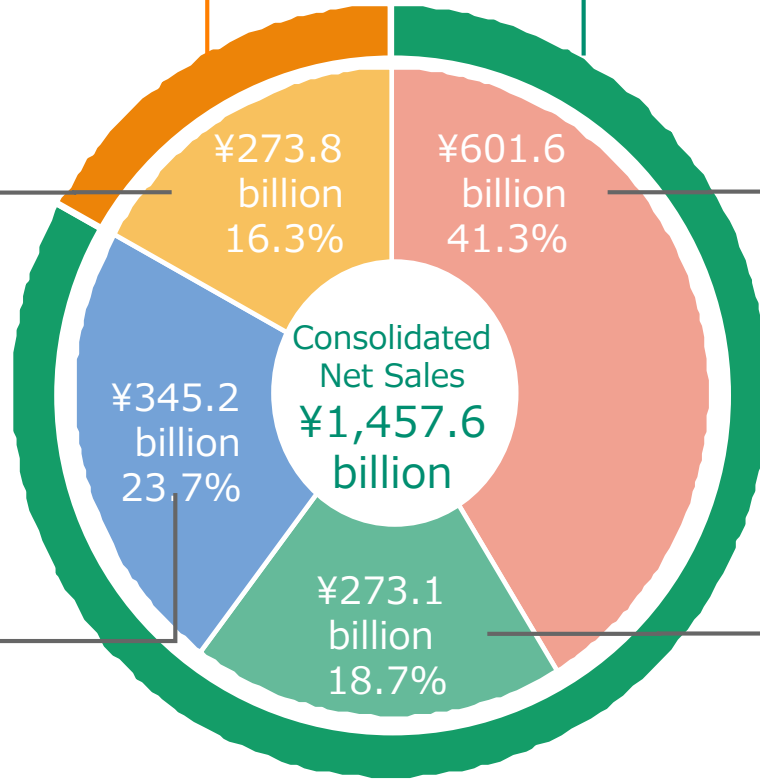
## Chemical Business

Oleo chemicals  
Performance chemicals  
Specialty chemicals



## Fabric and Home Care Business

Fabric care products  
Home care products



## Beauty Care Business

Cosmetics  
Skin care products  
Hair care products



## Human Health Care Business

Food and beverage products  
Sanitary products  
Personal health products

Since the fiscal year ending December, 2016, Kao has subscribed to International Financial Reporting Standards (IFRS). The composition of net sales shown on the graph is calculated based on net sales to external customers. Net sales for the Chemical Business includes internal sales between segments.

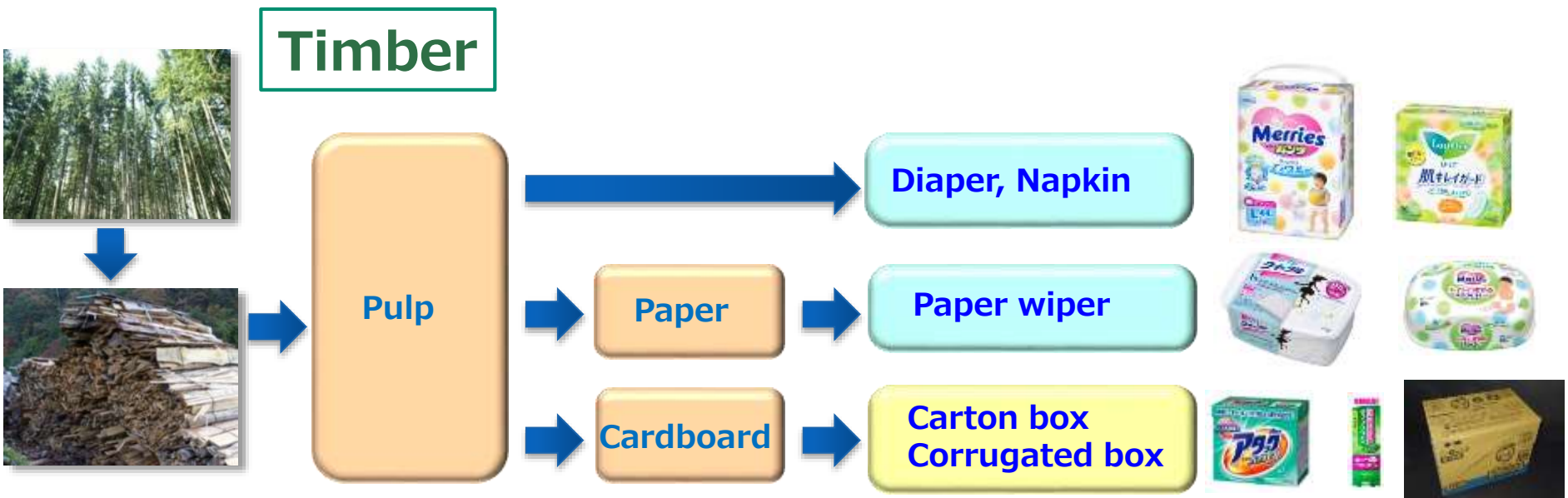
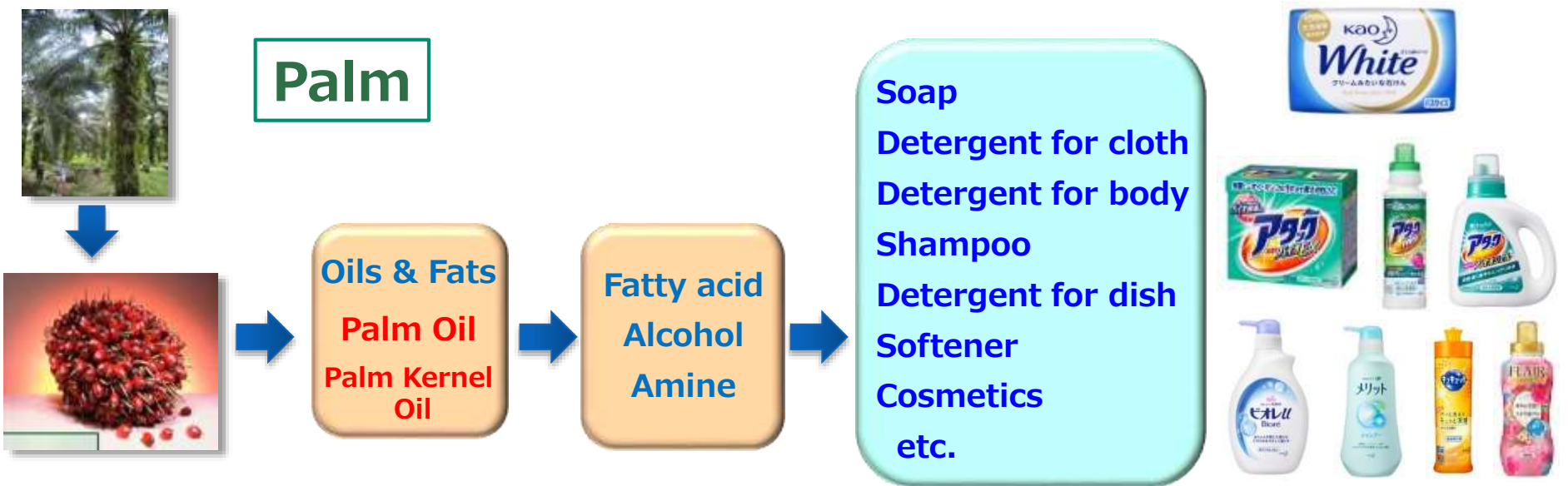
# Supply Chain Risk Management

Risks	Item	Kao's Action
<i>Supply Disruption</i>		
<i>Business Risks</i>	<i>Bankrupt / Restructuring</i>	<i>Business Continuity Plan</i> *Multi-site *Multi-source *Reduction of Specialties/Only one *Safety stock(including distributor)
<i>Accident / Disaster</i>	<i>Plant Troubles / Disaster</i>	
<i>Labor Dispute</i>	<i>Strike / Sabotage</i>	
<i>Reputational Risks</i>		
<i>Environmental Issues</i>	*Biodiversity/Climate Change *Deforestation *GHG/Waste/Pollution	*Sustainability Statement *Guidelines for Sustainable Procurement of Raw Materials *CDP / SAICAM
<i>Human Rights</i>	*Human Rights Violation *Forced Labor/Working Condition /Exploitation *Livelihood right	*Guidelines for Supplier's Assessment *Human Right Policy *Sustainability Statement
<i>Compliance/Ethics</i>	<i>*Legal Violation/Corruption</i>	<i>*Business Conduct Guideline</i>

# Main Raw Materials based on Natural Capitals



Enriching lives, in harmony with nature.



# Deforestation in Borneo



# Kao's Guidelines and Statements

## The Kao Way

Y2004



Kao Business Conduct Guideline Y2003

- Enrichment of the lives of people globally
- **Contribute to the sustainability of the world**

■ Kao Sustainability Statement Y2013

### Respect for Human Rights

- Human Rights Policy Y2015
- Kao Group Modern Slavery Statement Y2017



■ Basic Philosophy and Policies on the Environment and Safety Y1995

- Kao Responsible Care Policy Y2012

■ Kao Environmental Statement Y2009

- Basic Policies on Conservation of Biodiversity Y2011
- SAICM Promotion Policy Y2013

■ Policies for Procurement Y2013 rev.

■ Guidelines for Supplier's Assessment Y2017 rev.

■ Guidelines for Sustainable Procurement of Raw Materials Y2014 rev.



# Guidelines for Sustainable Procurement of Raw Materials

Rev. July, 2014

## Preamble

Kao recognizes the importance of global issues and risks such as scarcity of resources, global warming, degradation of biodiversity and other environmental problems, as well as human rights, and, to contribute to resolution of global issues, Kao strives for sustainable procurement of raw materials.

Recognizing the dependence of its businesses on natural capital, Kao commits to zero deforestation at the source in its procurement of raw materials including palm oil and paper. Over the medium-to-long term, Kao strives to reduce its use of natural capital by reducing the amount of raw materials used in its business and shifting to alternative raw materials such as algae or other non-edible biomass sources, in addition to working toward sustainable procurement that also takes into account ethical issues that have emerged due to globalization.

## Sustainable Palm Oil Procurement Guidelines

Kao commits to zero deforestation in its palm oil procurement, in consideration of preservation of biodiversity.

### Objectives

- By the end of 2015, Kao commits to purchase only sustainable palm oil traceable to the mill for use in Kao Group consumer products.
- By 2020, Kao commits to zero deforestation at the source of palm oil through cooperation with plantations, suppliers (mills and refineries) and third-party organizations.
- By 2020, Kao will purchase only sustainably sourced palm oil that is traceable to the plantation for use in Kao Group consumer products.
- By 2020, Kao will work to obtain RSPO, SCCS certification of Kao Group factories in order to build a traceable supply chain for the Kao Group.

## Sustainable Paper and Pulp Procurement Guidelines

Kao commits to zero deforestation in its paper and pulp procurement, in consideration of preservation of biodiversity.

### Objectives

- By 2020, Kao will purchase only recycled paper or sustainably sourced paper and pulp for use in its consumer products, packaging and office paper.
- In the event Kao uses pulp that is not recycled (virgin pulp):
  - By 2020, Kao commits to zero deforestation at the source of wood fiber for raw materials through cooperation with suppliers and third-party organizations.
  - By 2020, Kao will purchase only pulp for raw materials that is traceable to the source.



The Global Network Serving Shopper & Consumer Needs

## Board of Directors

50 Companies

(5 Japanese Companies)

Ajinomoto, Kirin, Aeon, Izumiya, Kao

November, 2010

### TCGF Board Resolution on Deforestation

As the Board of the Consumer Goods Forum we pledge to mobilise resources within our respective businesses to help achieve zero net deforestation by 2020.

We will achieve this both by **individual** company initiatives and by working **collectively** in partnership with governments and NGOs.

Together we will develop specific, time bound and cost effective action plans for the different challenges in sourcing commodities like palm oil, soya, beef, paper and board in a sustainable fashion.

We will also work with other stakeholders – NGOs, Development Banks, Governments etc – to create funding mechanisms and other practical schemes that will incentivise and assist forested countries to conserve their natural assets and enable them to achieve the goal of zero net deforestation, whilst at the same time meeting their goals for economic development.

# New York Declaration on Forests

## UN Climate Summit 2014

2014.9.23

Nation; 32

Local public body; 20

Company; 40

Native Group; 16

NGO/CSO; 49

About Companies Policy News Media Events

Take Action

Clear All

APRIL



KAO Corporation



Asia Pulp & Paper



Kellogg Company



Autodesk, Inc.



Kering



AXA Group



Kingfisher



### KAO CORPORATION

has committed to

- [Remove deforestation](#)
- [Responsible climate policy](#)
- [Science Based Targets initiative](#)

Initiative

A collaboration between [CDB](#), [World Resources Institute](#), the [World Wide Fund for Nature](#), and the [United Nations Global Compact](#).

LCTPi

The [LCTPi](#) is led by the [World Business Council for Sustainable Development](#).

### ENERGY

RE100 - 100% renewable power

[RE100](#) is led by [The Climate Group](#) in partnership with [CDP](#).

EP100 - Double energy productivity

[EP100](#) is led by [The Climate Group](#) in partnership with the [Alliance to Save Energy](#).

### URBAN

below50 - Sustainable fuels

[below50](#) is led by the [World Business Council for Sustainable Development](#).

EV100 - Commit to electric vehicles

# Palm Oil Industry

## Oil Palm

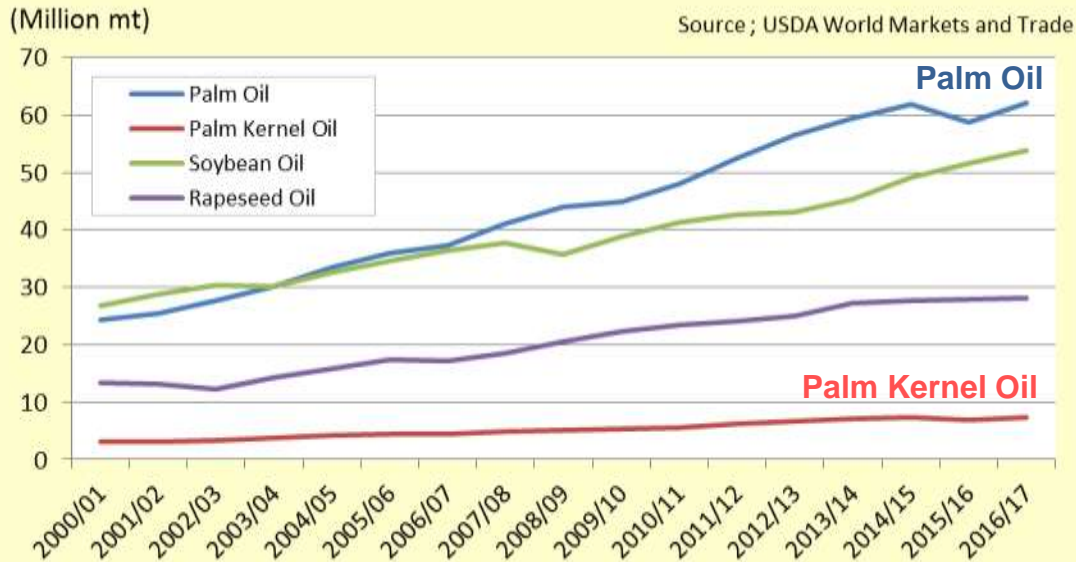
- **Place of origin;** Western Africa
- **Growth area;** The equator  $\pm 10^\circ$
- **Unit crop;** 10 times higher than soybean
- **Use;**
  - Palm oil;* Edible oil, BDF, Soap
  - Palm kernel oil;* Processed oil, Oleo chemicals
  - Expeller;* Feed, Biomass fuel

**100 years anniversary**

Malaysia palm oil industry



## Production volume of vegetable oil

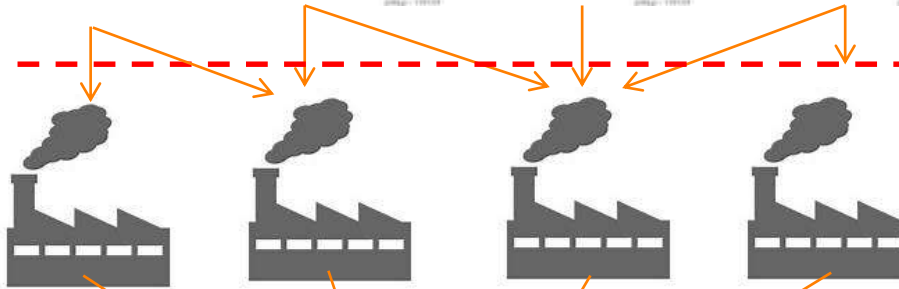


# Traceability of Palm Kernel Oil

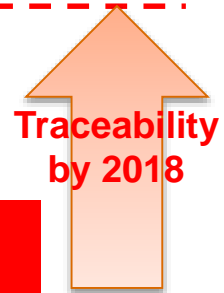
**Smallholder**  
**1.2 million**



**Plantation**  
**1,500 Sites**

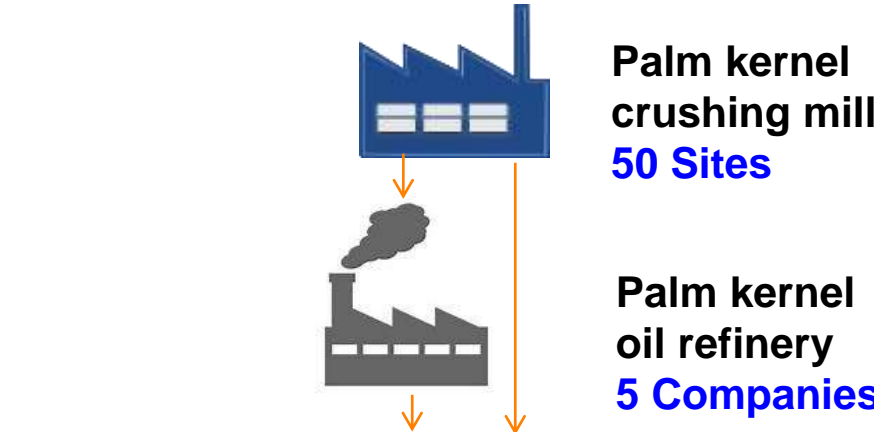


**Palm oil mill**  
**3,000 Sites**

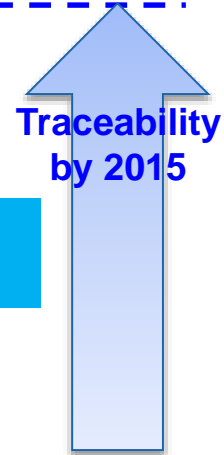


Utilization of RSPO  
Certified products

Supply chain audit  
(3<sup>rd</sup> Party)  
Risk mapping (NGO)



**Palm kernel  
crushing mill**  
**50 Sites**



Supply chain audit  
(3<sup>rd</sup> Party)

**Palm kernel  
oil refinery**  
**5 Companies**



**Kao group**

# Risk Mapping of Palm Oil Mill

## Risk assessment;

Within 50km from a palm oil mill

## Method;

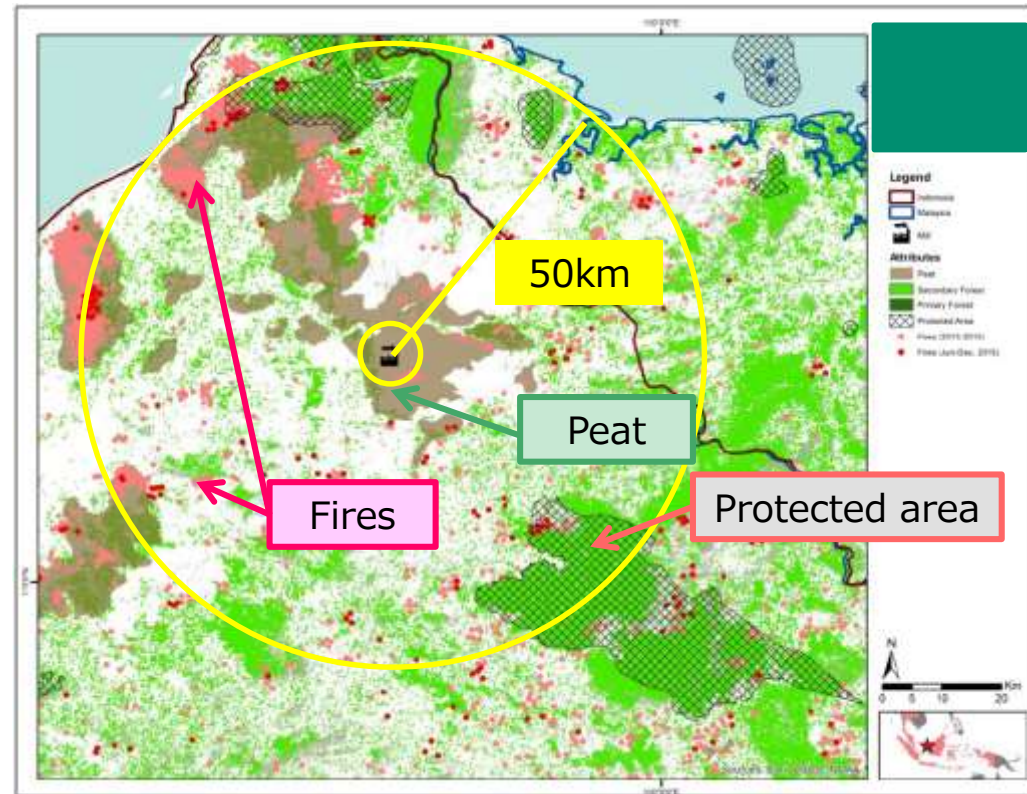
Assessment mapping

- Satellite image
- Administrative map
- Geological survey map

## Result;

There is possibility of the deforestation

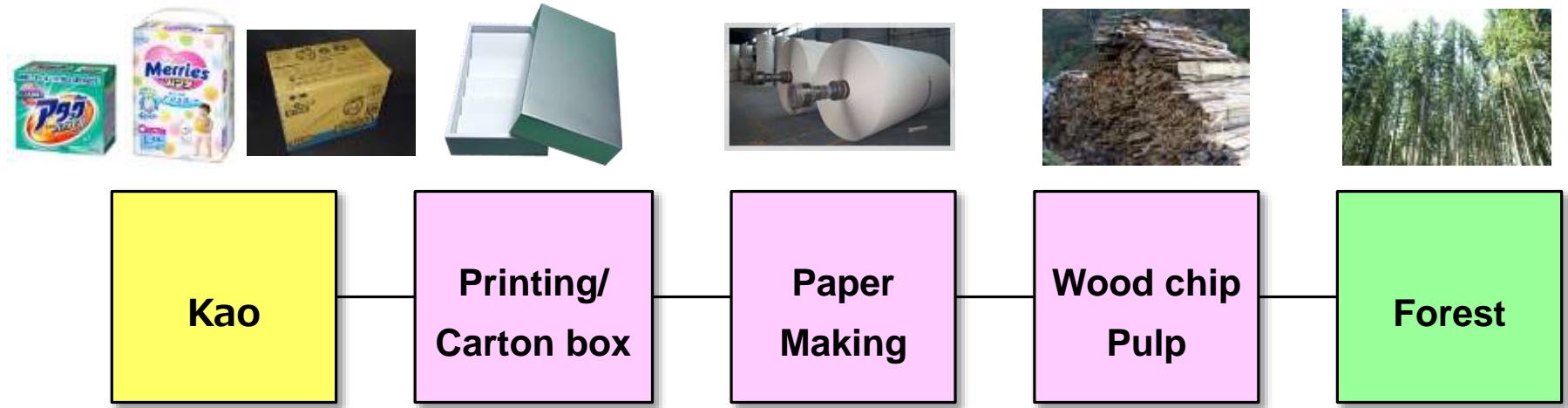
- Fires
- Peat land
- Protected area



Source : Rainforest Alliance

**We inspected the mill with middle-high level deforestation risk**

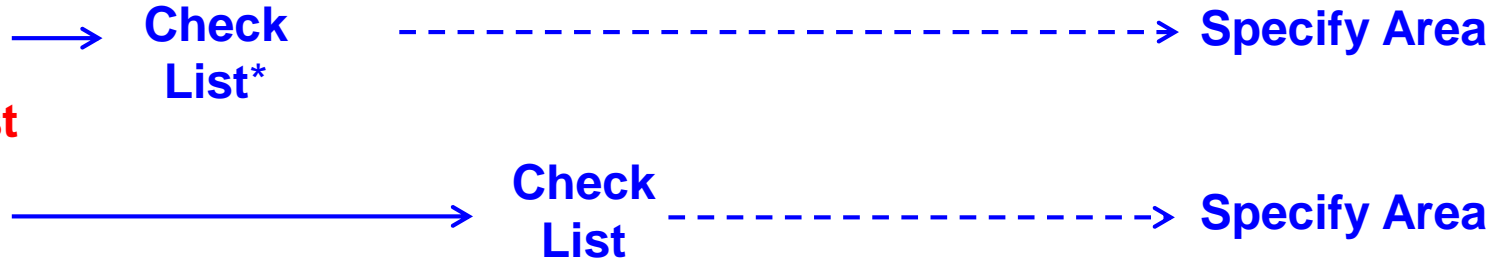
# Traceability of Paper and Pulp



**① Certified**  
(FSC, PEFC, etc.)



**② Confirm Origin of Forest by Check List**



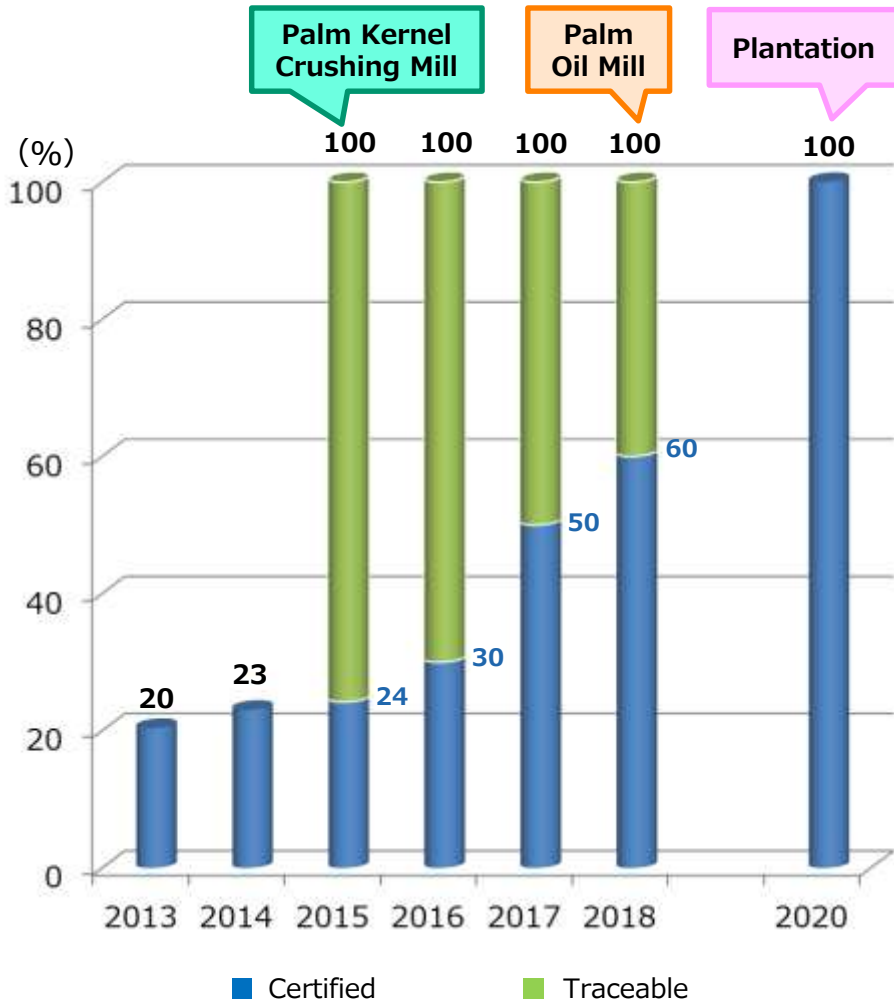
\*Responsible Purchasing Checklist for Forest Products by WWF Japan



# Progress of Our Guidelines

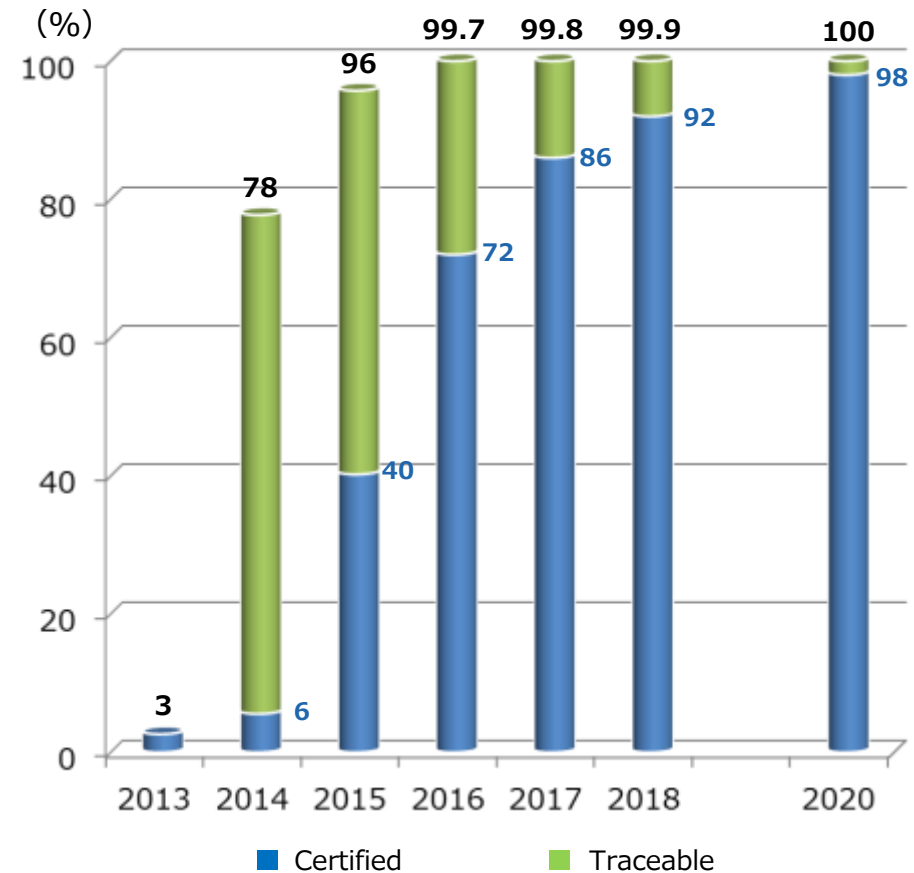
## ■ Palm Oil

※For consumer products



## ■ Paper and Pulp

※For consumer products



## ➤ Carry out our Guidelines

### \*Certified raw materials

Palm Oil : RSPO, MSPO, ISPO

Pulp & Paper : FSC, PEFC, ...

### \*Trace back to plantation, smallholder, forest

### \*Monitoring with NGO

This is the  
problem which  
now confronts us

## ➤ Carry out Due Diligence based on Kao Human Rights policy

### \*Utilization of SEDEX or Kao SAQ

KaO

Enriching lives, in harmony with nature.