

## Kao Group Modern Slavery Statement

This statement has been developed to comply with Section 54 of the UK Modern Slavery Act 2015. This statement, prepared by Kao Corporation, sets out the steps taken by Kao Corporation, Kao Group companies in the UK and other countries to ensure that slavery and human trafficking have not been taking place in any of Kao Group's business operations and supply chains in 2019.

### 1. Business and supply chain

The Kao Group operates in both the consumer products field and the chemical products field. The Kao Group develops consumer products for use by general consumers. We offer prestige cosmetics in our Cosmetics Business, premium skin care and hair care products in our Skin Care and Hair Care Business, functional health beverages and feminine and baby care products in our Human Health Care Business, and laundry detergents and household cleaners in our Fabric and Home Care Business. Also, in the Chemical Business, we develop chemical products contributing to the development of the industry.

Our products are sold in over 100 countries/regions. Kao is headquartered in Japan employing over 33,000 people across 32 countries/regions. Our business provides various products to meet the needs of people around the world. In the UK, our subsidiaries are Kao (UK) Limited and KPSS (UK) Limited both in the Skin Care and Hair Care Business, Molton Brown Limited in the Cosmetics Business, and Washing Systems Limited in the Fabric and Home Care Business.

#### Our business

We source raw materials from suppliers in Asia as well as other regions around the world. In the Chemical Business, our group companies offer a wide variety of chemicals, including oleo chemicals manufactured from natural fats and oils, oil derivatives, surfactants, functional polymers, fragrances and aroma chemicals. These materials are provided to the consumer products companies within Kao Group as raw materials, as well as to third party customers.

We uphold the principle of integrity, passed down from our founder, as one of the "Values" of our corporate philosophy, the Kao Way. Integrity means to behave lawfully and ethically and to conduct fair and honest business activities. We regard integrity as the starting point of compliance and promote it as a foundation for earning the respect and trust of all stakeholders.

## **2. Policies**

We have established the “Kao Human Rights Policy” in line with the UN Guiding Principles of Business and Human Rights. The policy states that we support and respect international norms of behavior on human rights such as those stipulated in the International Bill of Human Rights, undertake initiatives including conducting human rights due diligence and educating employees, and make efforts to fulfill our responsibility to respect human rights throughout our entire business.

Furthermore, the Kao Business Conduct Guidelines, Kao Group’s code of conduct, which provides specific guidance on how to put the Kao Way into practice, includes provisions relating to respecting human rights and zero tolerance against child labor, human trafficking and forced labor.

We also advocate respect for human rights as one of 19 prioritized actions set out in the Kao Group’s ESG strategy, “Kirei Lifestyle Plan.”

As for respect for human rights in supply chains, the Policies for Procurement states that we conduct purchasing with fairness, legal compliance and the highest ethics, and give full consideration to the preservation of natural resources and the environment, safety and human rights, striving to fulfill our corporate social responsibilities. In addition, in the Guidelines for Supplier’s Assessment we request our suppliers to implement measures to eliminate all forms of discrimination and to ban forced labor, child labor and illegal labor, and request that their suppliers take the same measures. We give priority to those suppliers that accept such responsibilities. Matters relating to the environment, human rights and labor are specified in our contracts concluded with suppliers. In these ways, Kao promotes respect for human rights throughout the entire supply chain.

We also support the United Nations Global Compact which defines 10 principles in the four areas of human rights, labor, environment, and anti-corruption.

## **3. Human Rights Due Diligence**

In order to respect the human rights of people involved in Kao Group’s business and observe international norms, we have been conducting risk assessments on an ongoing basis, prioritizing the assessment of our employees and business partners including suppliers. By conducting due diligence based on the Plan-Do-Check-Action cycle (Establish Plan, Conduct Risk Assessment, Review the Results/Identify the Risks and Take Action), we endeavour to ensure that slavery and human trafficking are not taking place in our own operations and supply chains.

Human rights issues have the possibility of impacting a wide-range of stakeholders. Kao Group

examines potential human rights risks of each stakeholder and addresses risks that may pose a significant effect on Kao Group's business if they emerge. We are taking measures in relation to our employees and suppliers, who we regard as top priority stakeholders, in line with in-house risk surveys and Guidelines for Supplier's Assessment.

#### 1) Kao Group

In 2019, we conducted a risk assessment of group companies and plants of the Kao Group worldwide. For our plants, we used Sedex (Supplier Ethical Data Exchange) where 40 plants completed the Sedex Self-Assessment Questionnaire (Sedex SAQ). For group companies without production, we prepared our own checklist that was completed by 56 group companies. After evaluating the answers to Sedex SAQ and our own checklist, we found no evidence of modern slavery and human trafficking.

Confidential Whistle Blowing Hotlines have also been established at our group companies for employees to report or consult on any compliance concerns. In 2019, we had no reports or consultations related to the risks of slavery or human trafficking within the Kao Group.

#### 2) Supply chains

Supply chains, providing raw materials and services, face pressing issues, such as protection of human rights of laborers, management of occupational health and safety, and forced migration and health risks of local residents. Our standard contract with suppliers has provisions that concern issues such as preservation of the environment and protection of human rights, and in principle is used in new contracts or when renewing contracts.

Environmental, human rights and labor-related matters that our Procurement Division takes into account when choosing suppliers are described in the Guidelines for Supplier's Assessment and the Procurement Division has been monitoring suppliers' compliance therewith. Forced labor has also been included in the Guidelines in line with discussions at the Consumer Goods Forum, a global consumer goods industry association, as well as a requirement for suppliers to implement similar measures for their own procurement. For monitoring the implementation, we have been using Sedex, which we joined in December 2014.

As for Sedex, we have been encouraging our suppliers to complete the Sedex SAQ through explanatory sessions and request letters. As of the end of 2019, access rights have been granted to 1,812 sites globally. In Japan, access rights have been granted to 566 sites, covering 66% of our purchase amount. We have conducted a risk assessment of suppliers for which access rights have been granted as of November 2019 by using Sedex. Among the 860 suppliers (sites) that answered over 80% of questions, 0.3% (3 sites) of them were evaluated as having a high risk. We are working with these suppliers to investigate the details and are requesting them to work on improvements, as

necessary.

For palm oil, one of the major raw materials of our business, we have adopted the Guidelines for Sustainable Procurement of Raw Materials and set the target of purchasing only sustainably sourced palm oil that is traceable to the plantation by 2020, and have been preparing for actions in cooperation with stakeholders, including non-governmental organizations, to achieve zero deforestation. We aim to reduce the risks related to human rights in the palm oil supply chain through purchasing palm oil from traceable sources. In this regard, Kao has completed confirming traceability to the palm oil mills through supplier information by the end of 2019.

### 3) Engagement

We communicate with suppliers at various occasions and through various means to ensure their understanding of our values and the Kao Business Conduct Guidelines with respect to sustainability. During the vendor summit to which we invite our main suppliers, we request that suppliers join Sedex and cooperate in CDP\* supply chains. In addition, we ask that suppliers report Kao employees' violations through the Compliance Hotline. Also, through the supplier satisfaction survey that we conduct every three years, we confirm that we are not acting abusively.

\*CDP is an NGO operated by institutional investors based in London, the UK that evaluates companies' efforts relating to climate change and conservation of water-ecosystem and forests through requesting information.

In relation to palm oil, since July 2017 we have been partnering with Bluenumber, an initiative to establish traceability in the agricultural supply chain on a global basis, to ensure traceability and transparency in our palm oil supply chain.

In September 2018 we joined SUSTAIN as a founding member. SUSTAIN or Sustainability Assurance & Innovation Alliance is an initiative aimed at sustainable palm oil that uses blockchain technology to share palm oil supply chain information for confirming traceability, thereby driving sustainable practices among small-scale farms. In 2019, we participated in a project to create a mechanism for confirming traceability for plantations.

In 2019, we participated in the Stakeholder Engagement (SHE) Programme hosted by Caux Round Table Japan (CRT Japan), visited small scale palm farmers in Indonesia to hold dialogues with farmers and other stakeholders, and participated in dialogue meetings with local NGOs working on environmental and human rights issues.

## 4. Training

The Procurement Division engaged in the supply chain management provides training and confirmation on Kao Group Procurement Policy, and responsible and sustainable sourcing at the global

procurement meeting. A total of 29 managers in charge of procurement from the group companies attended the meeting in 2019.

We also communicate the Kao Human Rights Policy to the employees of the Kao Group through internal briefing sessions, the intranet, internal newspapers, the Sustainability Databook and through other means. In 2019, training attended by 1,081 staff members was conducted especially for the Consumer Product Division and the Creative Division.

To deepen understanding of the Kao Business Conduct Guidelines, which stresses respect for human rights, we conduct Integrity Workshops at each Kao Group company. In 2019, the Guidelines were revised and briefing sessions were held. In Japan, the Kao Business Conduct Guidelines refresher test and a compliance awareness survey were conducted to check the depth of understanding of the Guidelines. At overseas Kao Group companies, also Integrity Workshops and other training courses were held, such as compliance training by the president or other executives focusing on the prevention of harassment. Furthermore, group training sessions for newly hired employees and newly appointed managers were held.

This statement was approved by the Management Committee of Kao Corporation on June 4, 2020.



Michitaka Sawada

President and Chief Executive Officer, Kao Corporation

June 10, 2020