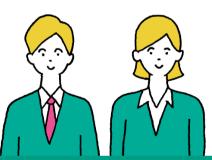


What would you do in these cases?

Kao Business Conduct Guidelines

CASEBOOK





Regarding the Revised Kao Business Conduct Guidelines (BCG) Casebook

This casebook is designed to provide you, each member of the Kao Group, with an opportunity to reassess whether you and your colleague's conduct complies with the Kao Business Conduct Guidelines (BCG). In this casebook, you will see cases that are similar to those you might encounter when conducting business globally. We hope this casebook will help you deepen your understanding of the BCG and provide guidance on proper conduct.

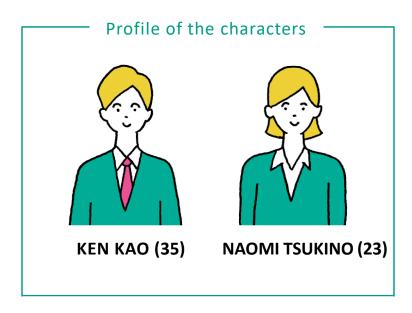
When you feel unsure of your act/decision at work or find illegal, unethical or other questionable conduct, you should not worry all alone and make a decision on your own. Rather, you should bring them to the attention of a supervisor or appropriate department, if such questionable conduct is not resolved, please call to internal/external compliance hotlines.

Furthermore, we expect executives and managers to communicate the rules of the BCG to all members of their department.

April 2014 July 2016 June 2017 June 2020

Kao Corporation Compliance Committee

For inquiries, please contact : compliance@kao.com

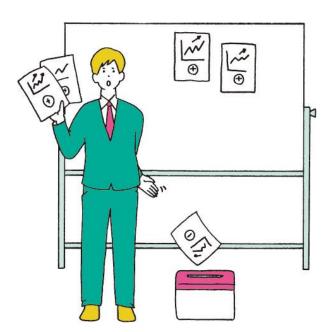


List of Cases

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Which data should we use?

In developing products, my supervisor instructs me to prepare for an in-house report on safety of the products using only favorable data on the results of safety experiments and disregard unfavorable ones for the evaluation of the products.



Q.

I feel that I can comply with my supervisor's request so long as I am not manipulating data or values in the results of experiments but just determining which of them we should pick up for the report.

Is it acceptable to handle data like this?

Which data should we use?

Answer

No, it is not acceptable.

Selecting favorable data only for use in an internal report might cause the Company to make the wrong decision due to such report and it might damage the product's and the Company's reputation. First of all, you should raise your concerns frankly and sincerely with your supervisor. If the problem cannot be solved through discussion with your supervisor, you should raise your concern with your supervisor's supervisor, a department which has jurisdiction over the incident, or the internal/external compliance hotlines.

Considerations

- ☐ We shall comply with the BCG and shall not pursue profits at the expense of the ethical principles set out in the BCG.
- ☐ We shall not take any action which violates laws and regulations, goes against the BCG or is otherwise unethical, even if such action is for the purpose of benefitting the company or under the instruction of a line manager. The company does not condone any such action.
- ☐ In case that you commit the action indicated above, you may be subject to disciplinary actions up to and including termination of employment.

Reference: BCG (Principles of Corporate Ethics 2, 4, Fundamental Rule 01-1)

What should I do when I learn there may be a possible safety or quality problem with our product?

A friend mentioned, "Something sharp came out of her Kao toothpaste."



Q,

Is it necessary to report it to the relevant department?

What should I do when I learn there may be a possible safety or quality problem with our product?

Answer

Yes.

As soon as you receive information on the safety of a Kao product, please report it to the department in charge of quality, consumer relations or your manager. It is important to investigate the situation and respond promptly before further damage.

Considerations

- ☐ If detected safety or quality problems are not reported timely and, our response is delayed, the damage may be amplified. In addition, the company may be perceived by the society as trying to cover up the matter that there is something wrong with our products, which would have a severe negative impact on the trust that people place on the relevant brand and the company.
- ☐ Please cooperate with the department in charge of quality or consumer relations, if they ask for your assistance in confirming the details of the incident or ask you to secure the remaining product from your friend.

Reference: BCG (Fundamental Rule 01-1)

In procurement, are price and quality the only priorities?

Products we purchase have been through many steps of processing from their raw materials until they reach you and many people in the world are involved in this supply chain.



Q.

As the only thing that matters is price and quality, there is no need to consider environmental impact of the materials we purchase.

Is my understanding correct?

In procurement, are price and quality the only priorities?

Answer

No.

Employees must pay attention to environmental conservation when selecting suppliers. If you find a material that is certified under a respected green certification, please consider selecting such material.

Considerations

- □ Environmental conservation and human safety are essential for the existence and activities of the Company. Every employee is expected to make efforts to promote environmental conservation in their work.
- ☐ In procuring every product from stationery around you to raw material of products, you are expected to select products considering environmental conservation, as well as their cost and function, etc.
- e.g. We have committed to procuring palm oil, from which detergents are produced, and raw materials for diapers and cardboard, that have been certified according to certain environmental standards.
- ☐ The certification can be a benchmark for you to judge whether those products are eco-friendly or not.
- ☐ Please proceed with caution if the prices of products are extremely low. Although it may be that supplier is just more efficient in its production, it also may be that supplier is not complying with environmental laws/commitments and/or violating the human rights of its employees.

Reference: BCG (Fundamental Rule 02-1)

What should we pay attention to in meeting with Kao's competitors at an industry association conference?

You are going to attend an industry association conference in which Kao's competitors will also attend.



Q

Are you free to talk about anything you want with the other participating companies?

What should we pay attention to in meeting with Kao's competitors at an industry association conference?

Answer

No.

If you talk with competitors about information such as the product price, estimation of production volume etc., your action may be deemed in furtherance of a cartel, which is illegal under the antitrust laws or competition laws of most countries. Even if the nature of the conversation is not a violation of antitrust laws or competition laws, you must still be careful not to disclose confidential information of the Kao Group to competitors.

Considerations

- When you meet competitors of the Kao Group, it is important to pay attention to what you discuss in order not to infringe antitrust laws. For example, if you exchange information such as the product price, estimation of production volume and production capacity, your actions might be deemed in furtherance of a cartel, which is banned under most antitrust laws.
- □ Kao Group members must be careful not to disclose confidential information (including information that has not yet been made public) to anybody outside the Company until it is officially made public by the Company. Not withstanding the foregoing, an employee may disclose confidential information to a third party under a confidentiality agreement, if such disclosure is approved by the company's management and the disclosure is in furtherance of a valid business purpose.

Reference: BCG (Fundamental Rule 03-1, 08-4),
Antitrust Checklist

Is it appropriate to pay a small amount of money personally to government officials to speed up customs procedures?

New products have arrived at the port. However, the customs office is notoriously slow in clearing products, so I am concerned that the products would not be cleared in time for the new product launch events. Therefore, I contacted the customs authorities and the person in charge said, "If you give me a small tip, I can clear your products now." My manager ordered me to make sure that we have products for the launch events.

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Is it acceptable to pay a small amount to accelerate the procedure?

Is it appropriate to pay a small amount of money personally to government officials to speed up customs procedures?

Answer

No.

It is prohibited to pay any money to a government official personally in order to speed up and complete inspection of imports. This shall not be the case if it is recognized as a formal system.

Considerations

- ☐ The Kao Group prohibits facilitation payments, which are small payments to government officials to speed up routine non-discretionary government action. Payments made in accordance with official procedures are not considered facilitation payments and are not prohibited.
- ☐ Furthermore, payments made to guarantee the life, freedom and security of individuals facing an immediate danger are not considered a violation. In that case, report is required at a later date in accordance with applicable rule of your company.

Reference: BCG (Fundamental Rule 03-4), Kao Anti-Bribery Guidelines

Is it acceptable for me to work excessive overtime so long as I am content?

I am in charge of an important project, which requires me to work overtime until late at night on a daily basis and to report to office on weekends too.

I have not been warned by my supervisor yet for my overtime. Currently, I am very much satisfied with my job assignment and am in good shape as well.

I am about to exceed the working hours allowed under the local labor laws.



Can I keep on working like this because my supervisor makes no remark on my circumstances?

Is it acceptable for me to work excessive overtime so long as I am content?

Answer

No.

Although you may feel that you can handle the excessive overtime, if it continues for a long period of time, it may result in various health problems. Please inform your supervisor about the excessive overtime and the likelihood that you will exceed the legal limit with your supervisor. If the problem cannot be solved through discussion with your supervisor, you should raise your concern with your supervisor's supervisor, a department which has jurisdiction over the incident (such as human capital development) and/or the internal/external compliance hotlines.

Considerations

- Companies have a responsibility to provide a safe and healthy working environment for their employees in accordance with applicable labor laws.
- ☐ Although working a lot of overtime might be needed especially during certain periods, managers have a responsibility to monitor their members' working hours and circumstances and must ensure to improve them if their working hours become excessive.

Reference: BCG (Fundamental Rule 05-3)

Is it sometimes necessary to severely reprimand a subordinate in front of other members?

I have a subordinate who has made the same mistake repeatedly in the past. I have pointed this out to him several times before in a calm manner, but he doesn't seem to think it is a big deal and doesn't make any attempt to improve. His behavior is also affecting other team members. On the fifth occurrence, I scolded him loudly in front of the other members.



Q

Is there a problem with how I handled the situation?

Is it sometimes necessary to severely reprimand a subordinate in front of other members?

Answer

Yes.

Reprimands are necessary for members who make the same mistakes repeatedly and do not improve them, but it must be done in the appropriate manner. In particular, reprimanding in front of other members is likely to cause mental stress, so it should be avoided as much as possible. Reprimands should be conducted in a considerate manner.

Considerations

- ☐ In order to avoid harassment, it is necessary to think about how the other party will perceive an action and how it affects the people around you.
- ☐ For example, when reprimanding members, you should not yell as you might be perceived to be threatening or intimidating. Furthermore, you should not make statements that deny people their dignity excluding the case when conducted by following the official rules of the company..
- ☐ In particular, since there is a high possibility that reprimanding someone in front of other members will cause mental stress, please avoid it as much as possible. If it is absolutely necessary, follow up is needed, such as by explaining the reason for the reprimand carefully.

Reference: BCG (Fundamental Rule 04-2)

Is it acceptable to repeatedly request a junior staff member to dinner after work so that you can go over work achievements even if she declined your invitation to after work dinners in the past?

I have repeatedly extended a personal invitation to my junior staff member to dinner after work to celebrate our achievements at work. Until now, she has declined my invitation stating that she would like to celebrate with the entire team rather than just the two of them.



Q.

Since having good communication with members in the workplace is important, would it be okay to keep inviting her?

Is it acceptable to repeatedly request a junior staff member to dinner after work so that you can go over work achievements even if she declined your invitation to after work dinners in the past?

Answer

No.

Repeatedly asking an unwilling person may be power harassment and also sexual harassment as an unwanted behavior.

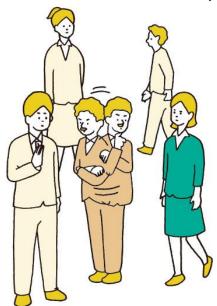
Considerations

- ☐ If your invitation is refused and you nevertheless persist, it may be sexual harassment as an unwanted sexual behavior or other type of harassment. Please stop any further invitations.
- ☐ There are actually cases where, without realizing that the other person is feeling uncomfortable, a person repeats problematic behavior which develops into serious sexual harassment and power harassment. Therefore, it is important to consider whether the other person is feeling uncomfortable by your invitations and stop immediately if it appears she doesn't appreciate them. Team invite would be acceptable, but you have to be careful not to create personal one-to-one situations.

Reference: BCG (Fundamental Rule 04-2)

Who reported me?

I wanted my subordinates to be high achievers, so I usually get heated when instructing them. I received a contact from a compliance officer that my instructions were reported as bullying. In order to tell the whistleblower about my real intention, I'm going to check with my team members to find out who reported me.



Q

Is there a problem if I try to find out the identity of the person who reported me?

Who reported me?

Answer

Yes.

It is strictly forbidden to attempt to discover the identity of the reporter and any cooperating persons.

Considerations

- □ Kao Group will not tolerate any attempt at discovering the reporter or cooperating persons. Such action should not be conducted, as it interferes with the investigation and the operation of the compliance hotline.
- ☐ If you receive a report of a compliance violation with respect to your behavior and the concerns are valid, take it seriously and review your actions so that you can make improvements.

Reference: BCG (Principles of Corporate Ethics 6), Rules for Operating Compliance Hotlines

Receipt Doute

3 0.000 — To Kac Corporation

Can I expense entertainment that was provided this year during next year?

At the end of the year, we were suddenly contacted by our business partner to have dinner with them and we paid all the expenses including theirs.

However, because I had heard from my boss that the budget for our department was running short and our entertainment expense for this meal could not be processed this year, I asked the restaurant to issue a receipt without the date of expenditure. Using this receipt, I would like to expense the cost for the next year.

Q

Is there a problem with my action?



Can I expense entertainment that was provided this year during next year?

Answer

Yes.

This is a violation of the accounting rules and the BCG. A receipt without date of expenditure enables you to manipulate arbitrarily the time when the cost is expensed, which constitutes inappropriate accounting. Since an expense that has incurred in this year must be treated as such for this year, you have to treat it as per the accounting rule.

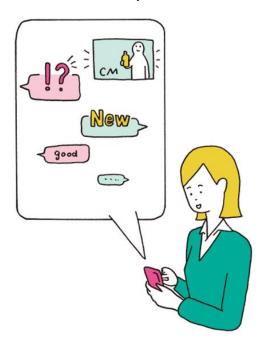
Considerations

- ☐ You cannot ask for a receipt without the date of expenditure.
- ☐ All expenses must be recorded in the period when they have occurred.

Reference: BCG (Fundamental Rule 06-2)

Can I talk about information of the Company that has not been released yet at home?

One of my family members is a big fan of the celebrity who will be advertising our company's product. As this information has not been announced publicly yet, I warned her not to discuss this information with anyone until it is announced.



Q

Is there any problem with my action?

Can I talk about information of the Company that has not been released yet at home?

Answer

Yes.

There is a problem. You must not reveal the Company's confidential information even to your family members.

Considerations

- Kao Group members must be careful not to disclose confidential information (including information that has not yet been made public) to anybody outside the Company until it is officially made public by the Company. Notwithstanding the foregoing, an employee may disclose confidential information to a third party under a confidentiality agreement, if such disclosure is approved by the company's management and the disclosure is in furtherance of a valid business purpose.
- ☐ You need to be careful about protecting the company's confidential information not only when dealing with business partners, competitors and mass media, but also with family members, friends and acquaintances.
- ☐ We have seen several cases at other companies in which employees or their family members carelessly disseminated company's confidential information by way of Twitter or other social media sites.

Reference: BCG (Fundamental Rule 08-4), Kao Group Social Media Policy

I would like to post an explanation to alleviate misunderstanding of Kao's products on social media...

I saw some comments on social media that the Kao Group doesn't operate about our product which is false and misleading.



Q

I would like to post my explanation to alleviate misunderstanding about the product without disclosing that I am an employee of the Company.

Is this ok?

I would like to post an explanation to alleviate misunderstanding of Kao's products on social media...

Answer

No.

When stating an opinion about the Kao Group or its products, you should specifically state that the posting is your personal statement and not made on behalf of the Kao Group.

Considerations

- For example, if you provide a review or other input regarding a Kao Group product, the fact that you are employed by the Kao Group must be disclosed so that others can factor in that information when evaluating your rating/input.
- ☐ If you come across a positive or negative comment about the Kao Group or our products in your personal use of social media that you believe should be important to the Kao Group, please share it with us by e-mailing someone who is authorized to deal with social media on the Kao Group's behalf so they can then properly address the comment as necessary.
- ☐ You may not post a response on a Kao Group branded message site (unless you are specifically authorized to respond on behalf of the Company).

Reference: BCG (Fundamental Rule 08-4),
Kao Group Social Media Policy
[PERSONAL SOCIAL MEDIA COMMUNICATIONS (2, 3, and 10)]

Can I use an illustration on the Internet freely without permission?

I found a beautiful illustration on the Internet, which is just perfect for a PowerPoint presentation I plan to make for the Company in meetings with business partners.

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Is it acceptable to use the illustration in presentation materials to be shown in meetings with business partners without confirming usage rights?

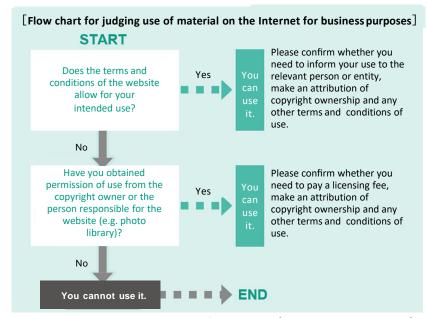
Can I use an illustration on the Internet freely without permission?

Answer

No.

Illustrations which are publicly available on the Internet are normally copyrighted by the illustrators or a third party. If you use an illustration without the permission of the holder of the copyright, you might be committing copyright infringement and the company may be liable to pay damages to the copyright holder. To confirm whether permission is required to use the illustration or not by checking the terms and conditions of the website where you found the illustration is needed. If approval is required, you should directly contact the person or entity responsible for the website to get approval for use of the illustration. In some cases, a license fee may need to be paid for use of the illustration.

Considerations



Reference: BCG (Fundamental Rule 08-4)

Do I have to provide non-public information that I obtained during my work at a previous company?

My manager asked me to provide him information about an unreleased new product of a competing skin care company that I learned about while working for a retail business before moving to Kao Group.



Q

Can I divulge this information?

Do I have to provide non-public information that I obtained during my work at a previous company?

Answer

No.

Please do not provide such information, even if it is requested by your manager. It may be illegal for those who joined the company to provide confidential information of his/her previous employer or for Kao to obtain such information.

Considerations

- ☐ When collecting information, be sure to collect information in a legitimate manner from legitimate sources.
- ☐ If you conduct business based on information obtained by illegal means, the person who provided the information and the relevant Kao Group company may be criminally liable. Furthermore, customers may lose their trust in Kao.
- ☐ This kind of information may fall within the jurisdiction of the Global Trade Secret Management Regulation or national law.

Reference: BCG (Principles of Corporate Ethics 4, Fundamental Rule 08-4) Global Trade Secret Management Regulation

Can I use the photographs of panelists' faces taken in a consumer product test for hair care products for skin care product development?

Photographs of panelists' faces were taken in a consumer product test. The panelists consented to the use of the photographs for the development of hair care products. I would like to use the photographs for the development of skin care products.



Q.

Since the purpose is related, i.e., the development of products, can I use the photographs without getting additional consent from the panelists?

Can I use the photographs of panelists' faces taken in a consumer product test for hair care products for skin care product development?

Answer

No.

Personal information cannot be used for any purpose other than for the purpose for which consent has been obtained.

Considerations

Except for certain limited cases provided for under applicable law, personal information cannot be used for any purpose other than for the purpose for which consent has been obtained (use other than the intended purpose). The development of hair care products and the development of skin care products are different purposes. In order to use the photograph for skin care product development, you must obtain consent from the person again.

Reference: BCG (Fundamental Rule 08-4),
Personal Information Handling Guidelines

Can I share my homophobic comments and jokes with my co-workers if everyone enjoys them and they are never intended to hurt or harm?

A colleague of mine imitates other voices to make fun of homosexual people because they think this is funny.



Q.

Is there a problem with this situation, even though there are no homosexual people in our office?

Can I share my homophobic comments and jokes with my co-workers if everyone enjoys them and they are never intended to hurt or harm?

Answer

environment.

There is a problem.

Even if there are no LGBT people in your workplace, discriminatory behavior against LGBT people is a type of harassment that leads to deterioration in the working

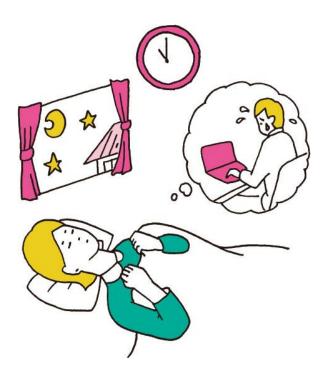
Considerations

- ☐ The company prohibits and discourages discriminatory behavior against members of the LGBT community out of its respect to people with diverse ideas and culture including sexual orientation.
- ☐ Please recognize that you are working with people with diverse ideas and values, such as culture, religion, creed, and sexual orientation. Please treat everyone with respect and avoid actions that make others feel uncomfortable.

Reference: BCG (Fundamental Rule 05-1), Kao Human Rights Policy

Does the Company have responsibility regarding the working conditions of contractors at its facilities?

Employees of a subcontractor working at a Kao Group facility work until midnight every day and they look quite exhausted.



Q.

Although they are not employees of a Kao Group company, would it be okay for me to request the subcontractor to make improvements to the working conditions of their workers?

Does the Company have responsibility regarding the working conditions of contractors at its facilities?

Answer

Yes.

Not only is it ok – it is your responsibility to raise issues like this as excessive overtime is a human rights issue.

Considerations

- ☐ The Kao Group has stated in its Kao Human Rights Policy that it respects human rights throughout its business activities and requires business partners to respect human rights and not to violate them.
- ☐ Therefore, if you know of human rights violations of our business partners related to Kao's business, please report to your manager or responsible division, and make proposals for improvement.

Reference: BCG (Fundamental Rule 04-1), Kao Human Rights Policy

Can I take home a stuffed animal that was created for a sales promotion?

We created a stuffed animal to be given away as freebies during a sales promotion campaign.
Unfortunately, the campaign did not go as planned and we have many of the stuffed animals remaining in our office.



Q.

As they will be disposed of anyway, can I take one home with me without telling anyone?

Can I take home a stuffed animal that was created for a sales promotion?

Answer

No.

Stuffed animals and other freebies may appear to be trivial. However, these are still assets of the Company. You may not take freebies home with you without permission of the responsible person and only in accordance with internal rules at your Company.

Considerations

- ☐ Careful control of the company's tangible and intangible assets, which shall not be used illegally.
- ☐ All the goods and products produced for business purposes at the expense of the Company are the assets belonging to the Company.
 - *Misappropriating company property is a violation of company rule and may subject the violator to disciplinary sanctions.

Reference: BCG (Fundamental Rule 06-2)

My spouse works for a competitor. Can I share confidential information of my Company with him/her?

My spouse works for one of Kao's competitors.



Q.

Do I have something to pay attention to at home?

My spouse works for a competitor. Can I share confidential information of my Company with him/her?

Answer

Yes.

Since your spouse works for one of the competitors of the Kao Group, you must not disclose Kao Group's confidential information to your spouse. You must also not obtain the competitor's confidential information from your spouse.

If you are an executive of the Kao Group Company, you shall provide notification to your Company that your spouse is employed at a competitor.

Considerations

- Even a spouse is not allowed to disclose confidential information about each other's companies. This is not limited to competitors.
- □ Even in the home, you are required to draw a distinct line between business and private matters not to impair the legitimate interests of the Kao Group.

Reference: BCG (Fundamental Rule 03-5),
Kao Guidelines for Avoiding Conflicts of Interest

What should I do when I found a violation of rules at the workplace?

I have discovered that flammable raw materials are stored in a place which violates applicable laws. I thought about making a report through the compliance hotline. However, I am concerned that if it is ever discovered that I made the report, I will face retaliation or other inappropriate treatment. Therefore, I have decided to keep the discovery to myself.



Is this an acceptable decision?



What should I do when I found a violation of rules at the workplace?

Answer

No.

Report immediately to your supervisor, the responsible department and if you don't see improvement, then use the Integrity Line (Compliance Hotline). You will not be retaliated against or otherwise disadvantaged by making the report.

Considerations

- ☐ If you find a violation, it is important to report it immediately and make it stop before it becomes amplified.
- ☐ The BCG and the Rules for Operating Compliance Hotlines prohibit retaliation and disadvantageous treatment of reporters. Furthermore, the privacy of reporters will be maintained to the fullest extent possible. Therefore, please report and/or consult with the Integrity Line (Compliance Hotline) with a sense of ease.

Reference: BCG (Principles of Corporate Ethics 5),
Rules for Operating Compliance Hotlines

What should I do if a transaction is about to start between a company managed by a family member and a Kao Group company?

I am an employee (not an executive) of a Kao Group company. A transaction is about to start between a company managed by my spouse and a Kao Group

company.



Do I have to notify this transaction to my (Kao Group) company?

What should I do if a transaction is about to start between a company managed by a family member and a Kao Group company?

Answer

Yes.

You may need to file a notification. Even if you do not need to report it, you still need to be careful not to divulge Kao Group's confidential information to your spouse's company.

Considerations

- ☐ The Kao Guidelines for Avoiding Conflicts of Interest stipulate that as soon as an employee becomes aware of a transactions between the Kao Group and a company and/or its subsidiary that a Close Relative*1 or Close Relatives in the aggregate own the majority of the shareholder voting rights or a company that a Close Relative has representative authority, the employee shall provide notification to his/her (Kao Group) company if he/she is Personally Involved in the business of the Close Relative(s). An executive shall provide notification to the (Kao Group) company regardless of his/her involvement.
 - *1 For the scope of "Close Relative" and detail case of "Personally Involved," please refer to the regulation of each company.
- In no event shall you be the final decision maker for the Kao Group in any such transaction.

Reference: BCG (Fundamental Rule 03-5),
Kao Guidelines for Avoiding Conflicts of Interest [II .2]

What is meant by a "clean" relationship with government officials?

Some government officials have requested a factory tour to study quality control. I have previously met several times with these government officials in connection with product quality issues.



Q

Since it is a good opportunity to show our high quality control measures, can we pay their travel expenses, accommodations and meals?

What is meant by a "clean" relationship with government officials?

Answer

No.

Excessive generosity in bearing expenses of travel, accommodation and meals for government officials can be seen as bribery.

Please follow the Anti-Bribery Guidelines of your company in inviting government officials.

Considerations

- ☐ It is required to maintain a fair and transparent relationship with government officials, which means you must not provide inappropriate benefits to them.
- ☐ In addition, if you invite government officials from other countries, prior approval of the Managing Committee of your company is required in accordance with the Anti-Bribery Guidelines.
- ☐ Finally, please make sure that any relationship with government officials is done in accordance with applicable laws.

Reference: BCG (Fundamental Rule 03-6),
Anti-Bribery Guidelines



Enriching lives, in harmony with nature.