

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 the financial year ended December 31, 2020.

1. Business and Supply Chain

Kao Group operates in both the consumer products field and the chemical products field. In the consumer products field, we have four distinct businesses: Cosmetics Business, Life Care Business, Health & Beauty Care Business and Hygiene & Living Care Business. In the Chemical Business, we develop chemical products contributing to the development of industries.

Our products are sold in over 100 countries/regions. We are headquartered in Japan and employ over 33,000 people across 32 countries/regions. Our businesses provides various products to meet the needs of people around the world, including in the UK. In the UK, our subsidiaries are Kao (UK) Limited and KPSS (UK) Limited, both in the Health & Beauty Care Business, Molton Brown Limited in the Cosmetics Business, and Washing Systems Limited in the Life 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 Kao Group’s ESG strategy, the “[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, give full consideration to the preservation of natural resources and the environment, safety and human rights, and strive 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 preservation of the environment and respect of human rights and labor rights are specified in our contracts concluded with suppliers. In these ways, Kao Group promotes respect for human rights throughout the entire supply chain of our products on offer in the UK and the rest of the world.

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, human trafficking and other human rights violations 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 the financial year ended December 31, 2020, we conducted a risk assessment of group companies and plants of the Kao Group worldwide. For our plants, including those that manufacture products for the UK market, we used Sedex (Supplier Ethical Data Exchange) where 42 plants completed the Sedex Self-Assessment Questionnaire (Sedex SAQ). For group companies without production, we prepared our own checklist that was completed by 57 group companies, including those entities that carry out business in the UK. After evaluating the answers to Sedex SAQ and our own checklist, we found no evidence of modern slavery and human trafficking in the above plants and group companies.

Compliance Hotlines have also been established at our group companies for employees to report or consult on any compliance concerns. In the financial year ended December 31, 2020, we had no reports or consultations related to the risks of slavery or human trafficking within the Kao Group, including in those entities that carry out business in the UK.

2) Supply chains

Supply chains, providing raw materials and services in the production of our products on offer in the UK and other parts of the world, 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 purchase agreement template with suppliers has provisions that address issues such as preservation of the environment and respect for 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 December 31, 2020, 83% of global transactions (on a value basis) were with Sedex member companies (including alternatives to Kao SAQ, EcoVadis, etc.). We conducted risk assessments using the Sedex Assessment Tool for 656 suppliers who set access rights to Kao and answered the new Sedex SAQ.

For palm oil, we will check traceability to the place of origin and aim to complete confirmation to small palm farms by 2025. We aim to reduce the risks related to human rights in the palm oil supply chain by purchasing palm oil from traceable sources. In this regard, by relying on supplier information, Kao Group has completed confirming traceability to palm oil mills and farms owned by suppliers by December 31, 2020.

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 vendors 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 also report Kao Group employees' violations of law, the Kao Business Conduct Guidelines (Corporate Code of Conduct) or other internal policy, or ethics through the Compliance Hotline. Also, through supplier satisfaction survey that we conduct every three years, we continuously 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 October 2020, we announced the launch of the SMILE program together with Apical Group and Asian Agri to engage in direct dialogue with small-scale palm farmers in Indonesia. In order to solve the problems faced by small-scale palm farmers, such as low productivity, poverty, and poor living conditions, we will provide support through dialogue with them, and aim to control the development of new plantations by increasing yields, support the acquisition of certification for sustainable palm oil and improve the lives of small-scale palm farmers.

4. Training

Kao Group is taking various initiatives to instill in its employees the Kao Human Rights Policy and respect for human rights.

To deepen understanding of the Kao Business Conduct Guidelines, which stresses respect for human rights, we conduct Integrity Workshops at each Kao Group company, including those entities that carry business in the UK. In 2020, the Kao Business Conduct Guidelines Casebook was revised, translated

into local languages, and notified through the intranet to all employees in order to make it known in all of Kao Group companies. In Japan (in 2019) and other countries (in 2020), the Kao Business Conduct Guidelines refresher test and a compliance awareness survey were conducted to check the depth of understanding of the Guidelines. Further, employees of Kao Group companies in Japan were provided with training on harassment prevention, and notices that address key points in harassment prevention and compliance in light of the expansion of remote working were posted on the intranet. In addition, to stimulate the employees' interest and raise awareness of the idea of respect for human rights, we posted an article and a video on the intranet introducing the Universal Declaration of Human Rights and the United Nations Principles for Business and Human Rights for the World Human Rights Day in December 2020. Furthermore, group training sessions for newly hired employees and newly appointed managers were held.

This statement was approved by the ESG Committee of Kao Corporation supervised by the Board of Directors on June 22, 2021.



Yoshihiro Hasebe

President and Chief Executive Officer, Kao Corporation

June 24, 2021