

Respecting human rights 102-12, 102-15, 103-1, 103-2

We have developed the Kao Human Rights Policy, which is based on the United Nations (UN) Guiding Principles on Business and Human Rights. Kao is implementing measures aimed at fostering respect for human rights in every aspect of our *Yoki-Monozukuri* processes.

Kao's creating value to address social issues

Social issues we are aware of

As the globalization of corporate activities advances and the supply chain expands, human rights risks such as forced labor are increasing. In addition, consideration for human rights is increasingly needed inside workplaces as employees, values and work styles become more diverse.

Kao's creating value

By collaborating with a diverse range of stakeholders to implement various measures that embody respect for human rights and endeavoring to prevent and mitigate human rights risks, we contribute to creating a cooperative society and achieving the Kao Way mission, which is "to strive for the wholehearted satisfaction and enrichment of the lives of people globally."

Risks related to realization of our vision by 2030

Interest in how companies address human rights is rising globally, and not demonstrating adequate consideration for human rights increases reputational risk.

In our business activities, manufacturing products in environments with poor labor conditions such as forced labor has the potential to create quality problems. In addition, if trust in us is damaged from

human rights risks, it may adversely affect purchasing behavior, lower employee motivation and loyalty, negatively impact productivity and increase employee turnover.

Opportunities related to realization of our vision by 2030

Respecting human rights and promoting fair purchasing activities invites consumer support for our corporate approach and helps build and maintain trustworthy relations with suppliers. Improved employee loyalty also leads to higher productivity.

Contributions to the SDGs



Policies

In 2015, we formulated and announced the Kao Human Rights Policy, which stipulates that we respect international norms relating to human rights, such as the International Bill of Human Rights, and that we will conduct human rights due diligence and human rights education for employees, working diligently to fulfill our responsibilities in regard to respecting human rights in every aspect of our operations.

The Kao Business Conduct Guidelines (BCG),

which serve as our code of conduct for practicing the Kao Way, clearly stipulate the need to respect human rights and to ensure that we are not involved with child labor, human trafficking or forced labor.

In the supply chain also, our Policies for Procurement stipulate the need for purchasing operations to embody respect for human rights, and to contribute to the fulfillment of our corporate social responsibility. In addition, the Guidelines for Supplier's Assessment include suppliers' fulfillment of their corporate social responsibility as an assessment item, and note that suppliers are required to take measures to prevent forced labor, child labor and other illegal labor practices.

Furthermore, our Guidelines for Sustainable Procurement of Raw Materials clearly stipulate the need to demonstrate awareness of sustainable development issues, including human rights, and to undertake the procurement of raw materials in a sustainable manner. We have formulated Sustainable Palm Oil Procurement Guidelines and Sustainable Pulp and Paper Procurement Guidelines.

In 2005, we declared our support for the UN Global Compact, which defines ten principles in the four areas of human rights, labor, the environment and anti-corruption. And we also support for CGF's* Forced Labour Resolution and its Priority Industry Principles.

* CGF (The Consumer Goods Forum)
Global network of consumer goods retailers and manufacturers. We are participating as a member company.



- Kao Human Rights Policy
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/kao-humanrights-policy.pdf
- Kao Business Conduct Guidelines (BCG)
www.kao.com/global/en/about/policies/compliance/business-conduct-guideline/
- Policies for Procurement
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-policy.pdf
- Guidelines for Supplier's Assessment
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-supplier-guidelines.pdf
- Guidelines for Sustainable Procurement of Raw Materials
www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/procurement-raw-materials-guidelines.pdf

Education and promotion

In order to prevent and mitigate human rights related risks in every aspect of corporate activities, it is vitally important to ensure that every employee has an in-depth understanding of human rights issues, and to implement measures to foster respect for human rights. To this end, in line with the Kao Human Rights Policy, we make use of every opportunity to implement appropriate employee education and training, for example through the dissemination of information throughout the company, and through division-specific training, etc.

Collaboration and engagement with stakeholders

We make use of a variety of opportunities and methods to communicate with suppliers, consumers, shareholders, business partners, local communities, government agencies, etc., endeavoring to ensure that they understand our policies and ethical standards.

Framework

Reflecting the multi-faceted nature of human rights issues, we implement human rights related measures by having the Corporate Strategy Division, the Human Capital Development Division, the ESG Division, the Legal and Compliance Division, the Procurement Division and other divisions play a central role,

discussing specific human rights initiatives at regular meetings held four times a year and liaising with relevant departments and group companies inside and outside Japan. Measures are implemented under the responsibility of the Executive Officer in charge of the ESG Division, and are reported to the Management Committee and the Corporate Committee under it once a year.

Human rights problems potentially impact a wide range of stakeholders. We therefore assess what human rights risks exist for each type of stakeholder, and address them giving priority to those risks that would significantly impact our business activities if they were to manifest.

We designate employees and suppliers as our highest-priority stakeholders, and are conducting measures based on risk related surveys within the Kao group and the Guidelines for Supplier's Assessment.

The ESG Division functions as the secretariat for matters relating to human rights due diligence within the Kao group, and implements relevant measures in coordination with the Corporate Strategy Division, the Human Capital Development Division and the Legal and Compliance Division. To ensure that our employees are able to report and consult on compliance related issues when necessary, internal and/or external compliance hotlines have been established in each group company.

With regard to human rights related measures targeting the supply chain, the Procurement Division, which is our point of contact for communication with suppliers, plays a central role in encouraging suppliers to take appropriate steps.

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Mid- to long-term targets and performance

Mid- to long-term targets

We are using human rights due diligence and awareness-raising activities to deepen understanding of stakeholders' human rights. We will continue to identify, prevent and mitigate human rights related risks in our business activities.

Human rights problems potentially impact a wide range of stakeholders. We therefore assess what human rights risks exist for each type of stakeholder, and address them giving priority to those risks that would significantly impact our business activities if they were to manifest. In addition, we have set ourselves the target of raising the human rights due diligence survey implementation rate to 100% for Kao Group companies, suppliers, and contractors that perform work at Kao worksites, by 2030.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Once a human rights violation occurs, the company is exposed to direct litigation risks and forced to bear litigation expenses, collection expenses and other economic burden. There is also greater probability of severe damage to our company image, a lower reputation among consumers, weakened employee loyalty, and loss of trustworthy relations with suppliers.

Continuing to identify, prevent and mitigate human rights risks in our business activities not only avoids direct economic losses but also contributes to increasing opportunities for consumers to choose our products through their support for our corporate approach, reduces procurement risks by strengthening trust with suppliers, improves productivity from increased employee loyalty, and reduces hiring costs from lower employee turnover.

Social impacts

Expanding company measures to ensure respect for human rights contributes to enhanced awareness for human rights in society as a whole. Our measures are one part of this. For example, deepening understanding among stakeholders enhances awareness for human rights in society as a whole, mitigates human rights problems such as forced labor, and can also prevent negative environmental impact by reducing indiscriminate development in developing countries.

Providing products made with consideration for human rights reduces the chances of consumers indirectly infringing on human rights and leads to less human rights violations in society as a whole.

Performance in 2019

Performance

Internal

- Conducted a survey of the group companies using the Human Rights Checklist (100% response rate from surveyed companies).
- Conducted a survey of the group production sites (40 plants in total) using the Sedex^{*1} Self-Assessment Questionnaire (100% response rate from surveyed plants).
- In 2015, the “Act to make provision about slavery, servitude and forced or compulsory labour and about human trafficking, including provision for the protection of victims; to make provision for an Independent Anti-slavery Commissioner; and for connected purposes” (the “Modern Slavery Act 2015”)^{*2} was enacted and came into effect in the U.K. A statement noting the measures taken by the group in relation to the Act has been posted on our website.

^{*1} Sedex (Supplier Ethical Data Exchange)

A large-scale global platform for the sharing and verification of information relating to labor standards, health and safety, environmental protection and business practices, aimed at promoting the adoption and maintenance of ethical business practices in global supply chains.

^{*2} Modern Slavery Act 2015

The Act requires for-profit groups and companies conducting business activities in the United Kingdom whose annual sales exceed a certain scale to produce and release annual statements about measures enacted to ensure that slave labor and human trafficking offenses have not been committed.

Supply chain

- As in the previous year, suppliers were encouraged to register with Sedex. The number of sites for which access rights with us have been established is 1,812 (as of December 31, 2019).
- Risk assessments were conducted at sites for which access rights with us have been established by November 30, 2019.

Consumers and shareholders

- Information about Kao’s initiatives is shared with consumers using our website, etc.

Business partners, local communities, government agencies, etc.

- Kao participates in the UN’s Global Compact Network Japan and in the Human Rights Coalition of the Consumer Goods Forum, and we exchange information with experts at other business enterprises, NPOs, international organizations and government agencies.

Human rights awareness-raising activities

- We have promoted awareness of the importance of respect for human rights through Kao Business Conduct Guidelines (BCG) training and refresher test implementation.
- We have posted material that addresses human rights topics on the company intranet to raise awareness among employees.
- We have continued to implement LGBT study sessions and LGBT ALLY recruitment, as part of our efforts to promote active participation by diverse employees and to foster understanding of diverse types of customers.

Reviews of performance

Through assessing human rights due diligence at our group companies using the Human Rights Checklist, at production sites using the Sedex assessment, and at suppliers by encouraging them to register with Sedex, we have advanced efforts to identify, prevent and mitigate human rights risks in our business activities, which is one of our mid- to long-term targets.



→ Modern Slavery Act Statement
www.kao.com/global/en/sustainability/topics-you-care-about/humanrights/modern-slavery-act-statement/

Our initiatives

Human rights due diligence process

We are making efforts to investigate and identify human rights risks involving the group, including forced labor, workplace labor conditions and discrimination.

1. Efforts in the group

Every year, we perform a risk assessment targeting all of our business locations throughout the world. With respect to production sites, we make effective use of Sedex, a global corporate ethics information sharing platform. For other Kao Group companies besides the production sites, a Human Rights Checklist was compiled, which these companies are required to complete. In 2019, a total of 40 production sites completed the Sedex Self-Assessment Questionnaire. For other Kao Group companies, a total of 56 Kao Group companies completed and returned the Human Rights Checklist. In both cases, there was a 100% completion and return rate. The results obtained did not show any human rights related risks at either our production sites or our group companies. There are therefore no cases of improvements being implemented as a result of human rights due diligence.

2. Efforts in the supply chain

New clauses relating to concern for the environment and for human rights added to standard contract with suppliers

In 2012, new clauses relating to concern for the environment and for human rights were added to the master agreement that we sign with suppliers. In principle, this master agreement is used when signing contracts with new suppliers or renewing existing contracts.

Request for self-assessment and monitoring

Since 2008, suppliers have been required to perform self-assessments of their conformity with the Guidelines for Supplier's Assessment, which we then monitor. In the case of suppliers whose self-assessment shows a failure to meet the required standards, our personnel visit the supplier so that the supplier can share information about the problems, and so that we can collaborate on achieving improvements. Since joining Sedex in 2014, we have held presentations to explain Sedex to suppliers, and we continue to request that suppliers join Sedex, respond to Sedex questionnaires, and set up data access rights. The number of sites for which data access rights have been established so far is 1,812.

Internal human rights education

Raising awareness of the importance of respecting human rights using the BCG (global)

We hold workshops throughout the world to deepen understanding for the Kao Business Conduct Guidelines (BCG), which set out our approach to ensuring respect for human rights among employees in all of our group companies. The BCG, which were revised in April 2019, clearly stipulate the need to understand and respect human rights, to abide by the Kao Human Rights Policy, and to have zero tolerance for child labor, human trafficking and forced labor. We have sought to enunciate our stance regarding respect for human rights through every aspect of our business activities. In line with the revision of the BCG, we held presentations and also implemented refresher testing to verify that all employees in Japan had familiarized themselves with the BCG in 2019. We also provide classroom-based training for newly recruited employees and

for newly appointed managers, etc.

Raising awareness of the importance of respecting human rights using the company's intranet (Japan)

We have posted material that addresses human rights topics on the company intranet to raise awareness among employees. In August 2019, a manager of our Procurement Division posted an essay relating to human rights, which explained that forced labor still exists in today's world in the agriculture, forestry and fisheries industries and in the mining industry, and that there are people who are working in harsh working environments on small-scale oil palm farms, and described the measures that we are taking to address these issues. In September and December 2019, information was posted about Kao's initiatives in relation to sustainable procurement and the 70th anniversary of the Universal Declaration of Human Rights, respectively.

Respect for human rights in advertising (Japan)

We have put in place a framework to facilitate self-checks in relation to verification of how the human rights perspective is presented in advertisements, product packaging, etc., and we provide opportunities to hold discussions once a week on incidents that are difficult to decide independently among members of business divisions, departments involved in producing advertisements, the Product Quality Management Division and the ESG Division. We are conducting awareness-raising educational activities to ensure that personnel in business divisions, the Creative Division and PR departments, etc. who are involved in the production of advertisements, product packaging, etc. are aware of human rights perspectives that apply to advertising.