

Guidelines for Sustainable Procurement of Raw Materials

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.

*as described in the Kao Human Rights Policy



Kao Human Rights Policy

www.kao.com/content/dam/sites/kao/www-kao-com/global/en/sustainability/pdf/kao-humanrights-policy.pdf

| 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. We will not purchase palm oil that contributes to development of any high conservation value (HCV) forests, high carbon stock (HCS) forests or peatlands, regardless of the depth.

- 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^{*1} SCCS^{*2} certification of Kao Group factories in order to build a traceable supply chain for the Kao Group.

Scope of Application

- Palm oil, palm kernel oil and their derivatives used in Kao Group consumer products

Principles for Action

- Confirm that plantations and suppliers are in compliance with the RSPO "Principles and Criteria for the Production of Sustainable Palm Oil"^{*3}
- Confirm zero deforestation at the source.
- Establish traceability to the source.
- Coordinate with various stakeholders, including the RSPO, plantations, suppliers, non-governmental organizations, specialists and third-party organizations to carry out items 1, 2 and 3 above. We will notify all our suppliers that they should comply with Kao guidelines. If our suppliers are found in contravention of Kao guidelines, we will take appropriate action including auditing of our suppliers.
- Publicly announce progress toward the Objectives on its website and in annual sustainability data books.

Glossary

*1RSPO: Roundtable on Sustainable Palm Oil



*2 SCCS: Supply Chain Certification Systems as defined by the RSPO

*3 The RSPO "Principles and Criteria for the Production of Sustainable Palm Oil" are available at



Operation of Guidelines

We will revise these guidelines in response to changes in social or environmental conditions, or new findings.

| 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. Kao will not contribute to development of any high conservation value (HCV) forests, high carbon stock (HCS) forests or peatlands, regardless of the depth.
 - By 2020, Kao will purchase only pulp for raw materials that is traceable to the source.

Scope of Application

- Paper and pulp used in Kao consumer products and packaging
- Office paper, including photocopier paper, envelopes, printed matter and product brochures

Principles for Action

1. Do not waste paper and pulp.
2. Prioritize recycled pulp as a raw material (recycled paper).
3. In the event that recycled pulp cannot be used, confirm the following:
 - If all wood fiber raw material is reused or waste fiber, and/or produced in compliance with the laws and regulations of the place of origin of the raw material.
 - If all wood fiber used as a raw material is sourced in an ecologically and socially sustainable manner.

"Ecologically sustainable" includes zero deforestation at the source of the wood fiber.

"Socially sustainable" includes respect for the human rights of workers and indigenous people at the source.
 - Ensure that when any timber from forest thinning is used, that they are harvested legally and sustainability in its country/region of origin.
 - When using non-wood plant-based resources as raw materials, if they are non-used resources.

4. Confirm Environmental Considerations for Quality.
 - No chlorine gas bleaching
 - No extreme levels of whiteness
 - Minimal use of coating for coated products
 - No use of processes that hinder recycling
5. We will notify all our suppliers that they should comply with the Kao Sustainable Paper and Pulp Procurement Guidelines. If our suppliers are suspected to be in contravention of such guidelines, we will conduct an audit of our suppliers or take other appropriate action.

Methods for Confirming Sustainable Sourcing of Paper and Pulp Used as a Raw Material

- Third-party certification must be obtained that the paper and pulp were produced under proper management, such as forest certification from the FSC^{*1}, PEFC^{*2} or other reliable certification body.
- Coordinate with various stakeholders, including suppliers, non-governmental organizations, specialists and third-party organizations to ensure traceability to the land of origin.

Glossary

*1FSC: Forest Stewardship Council

*2PEFC: Programme for the Endorsement of Forest Certification

Operation of Guidelines

We will implement these guidelines in stages in view of country and regional circumstances. We will revise these guidelines in response to changes in social or environmental conditions, or new findings.