

## Kao's approach

We have formulated the Kao Human Rights Policy, which is based on the United Nations (UN) Guiding Principles on Business and Human Rights, and we are 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

As the globalization of corporate activities advances and the supply chain expands, human rights risks are increasing.

We implement a range of measures that embody respect for human rights in accordance with international standards and in collaboration with a diverse range of stakeholders, to promote the achievement of the Kao Way mission, which is "to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world."

### 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 implement 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 regulate conduct to ensure the realization of the Kao Way, clearly stipulate respect for human rights and the prohibition of child labor, human trafficking and all other forms of 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 notes that suppliers are required to take measures to prevent forced labor, child labor and other illegal labor practices.

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.



- [Kao Human Rights Policy](http://www.kao.com/global/en/sustainability/approach/issues-solve/humanrights/kao-humanrights/)
- [Kao Business Conduct Guidelines](http://www.kao.com/global/en/about/policies/compliance/business-conduct-guideline/)
- [Policies for Procurement](http://www.kao.com/global/en/sustainability/procurement/policy/)
- [Guidelines for Supplier's Assessment](http://www.kao.com/global/en/sustainability/procurement/supplier-guidelines/)

## Framework

Reflecting the multi-faceted nature of human rights issues, we implement human rights-related measures by having the Human Capital Development Division, the Sustainability Department, the Compliance Promotion Office, the Procurement Division and other divisions play a central role, liaising with relevant departments and with Group companies, and submitting progress reports to the Sustainability Committee.

The Sustainability Department functions as the secretariat for matters relating to human rights due diligence within the Kao Group, implementing relevant measures in collaboration with the Human Capital Development Division and the Compliance Promotion Office. To ensure that Kao employees are able to report and consult on compliance-related issues when necessary, an internal and/or external compliance hotline has been established in each Kao Group company.



→ p. 127 Corporate Culture > Integrity:  
Establishment and operation of the compliance hotlines

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 the central role here, encouraging suppliers to take appropriate steps.

## Education and promotion

We hold workshops throughout the world to deepen understanding of the Kao BCG, which sets out our approach to ensuring respect for human rights among employees in all Kao Group companies. We also implement classroom-based training for newly recruited employees and for newly appointed managers, as well as an annual refresher test that all employees are required to take once a year.

In Japan, each December is designated as Human Rights Awareness Month, and awareness-raising activities are implemented using newsletters, posters, etc. In addition, our internal Guidelines for Preventing Sexual Harassment are posted on the company intranet, and a system has been put in place for the establishment of internal and external harassment consultation hotlines for use by Kao employees.

### Respect for human rights in advertising

We have implemented educational activities to ensure that personnel involved in the production of advertisements, product packaging, etc. are aware of human rights perspectives that apply to advertising.

Conservation

Community

Corporate Culture

Governance

## Mid- to long-term targets and performance

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.

### Performance in 2017

#### Implementation of human rights due diligence both at Kao and in the supply chain

##### Internal

- A survey of Kao Group companies was conducted using the Human Rights Checklist (the response rate for target companies was 100%).
- A survey of Kao Group production sites (41 plants in total) was conducted using the Sedex\*1 Self-assessment Questionnaire (the response rate for target production sites was 100%).
- 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 2015 in the U.K. A statement noting the measures taken by the Kao Group in relation to the Act has been posted on the Kao 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.



→ **Modern Slavery Act Statement**  
<http://www.kao.com/global/en/sustainability/approach/issues-solve/humanrights/modern-slavery-act-statement/>

##### Supply chain

- In June 2017, we revised the Guidelines for Supplier's Assessment, requiring suppliers to demonstrate the same level of concern for human rights and the environment that Kao shows. The revisions made clear that Kao would be making effective use of Sedex to verify compliance with the Guidelines for Supplier's Assessment.
- As in the previous year, suppliers were encouraged to register with Sedex. The number of sites for which access rights with Kao have been established is 908.

##### Human rights awareness-raising activities

##### Dissemination of information to support human rights awareness-raising

Besides sharing awareness-raising materials with those personnel responsible for filling out risk surveys

in relation to the Kao Group's internal Human Rights Due Diligence process, within Japan we have also put in place a framework to facilitate self-checking in relation to verification of the human rights perspective of statements made in advertisements, product packaging, etc. Awareness-raising has been implemented with respect to a total of 279 employees who are working in related function divisions or in units that are involved with the production of advertisements.

##### Awareness-raising activities during Human Rights Awareness Month

In December 2017, during Human Rights Awareness Month, posters and newsletters were distributed for awareness-raising purposes. The newsletters covered various human rights-related themes and Kao's consultation hotlines.

##### Efforts to promote employees' understanding of LGBT issues

As part of our efforts to promote diversity and inclusion (D&I), we have continued to implement the dissemination of various types of information relating to LGBT issues in line with our D&I policy.



→ p. 148 Corporate Culture > Diversity and inclusion

## Our initiatives

### Human rights due diligence process

We are making the following efforts to investigate and identify human rights risks involving the Kao Group.

#### 1. Efforts in the Kao Group

Every year, we perform a risk assessment targeting all Kao 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 2017, a total of 41 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 risk at Kao production sites or Kao 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

We make use of a variety of opportunities and methods to communicate with suppliers, endeavoring to ensure that suppliers understand our policies and ethical standards.

In 2012, new clauses relating to concern for the

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

Since 2008, suppliers have been required to perform self-assessment of their conformity with the Guidelines for Supplier's Assessment, which we then monitor. In the case of suppliers whose self-assessment shows that they fail 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 worldwide so far is 908.



→ p. 134 Corporate Culture > Sustainable and responsible procurement

### Engaging with stakeholders in regard to human rights

We participated in the Stakeholder Engagement Program organized by Caux Round Table Japan (CRT

Japan), which was held five sessions between June 1 and July 13, 2017. The Program provided an opportunity to hear suggestions from human rights experts and human rights related NGOs and NPOs. Through discussions with other companies in different industries, we were able to examine how companies should go about identifying the issues that they need to address in regard to the relationship between business and human rights, and how to implement corporate activities while paying due attention to human rights. On the basis of these discussions, Human Rights Issues by Sector, version 6, was issued.

Prior to the implementation of the Program in Japan, we attended a workshop held in Kuala Lumpur, Malaysia on May 24, 2017 that was jointly organized by CRT Japan and UN Global Compact (UNGC) Malaysia. At this workshop, we answered questions from NGOs, and engaged in discussion regarding the types of issues that business enterprises should prioritize, and what kind of responses to these issues are possible. We also engaged in dialog with small-scale agricultural producers engaged in palm oil production. On September 14, 2017, we engaged in dialog with the participants of the workshops referred to above, and with human rights experts from leading organizations both within and outside Japan. We reported on the content of the discussions during the workshops and on the insights we had gained, and we took part in a proactive exchange of views and ideas with the human rights experts.